

SIXTY-SEVENTH DAY

MORNING SESSION.

(LEGISLATIVE DAY OF WEDNESDAY)

THURSDAY, May 2, 1912.

The Convention met pursuant to recess, was called to order by the vice president and consideration of Proposal No. 170 was resumed.

Mr. Doty, having yielded the floor for a motion to recess, was recognized.

Mr. DOTY: I had practically completed my remarks. I desire, however, to give notice at this time that whenever the question of the substitution of the minority report for the majority report is up that I shall ask for a division of the question. If you will look at the minority report you will find there are several questions involved. I desire some sort of a division. I will state that I will file with the president of the Convention my motion of what the division should be and the division will be for the president to make. There are some parts of the minority report that I desire a yea and nay vote on and in some parts there is no necessity for that. There is one idea that I do want to call attention to. The member from Portage in his remarks made a statement that the savings bank deposits were not usually an investment. There is no more widely used form of investment than savings bank deposits. If savings bank deposits were what he said they are our savings bank deposits would fluctuate up and down. Some days there would be nothing and some days there would be a great deal. He tried to create the impression that savings bank deposits were used as a temporary method of taking care of money—a most preposterous notion. I do not think the member from Portage upon consideration would agree that what he said is actually the situation.

Now with reference to the Wisconsin income tax proposition. The member from Portage referred to the income tax provision of the Wisconsin law and told how well it worked, and he spoke truly, but he did not tell you—I don't say he omitted it purposely—but he didn't tell you what the provision of the Wisconsin constitution as to the tax is. If the member from Portage and the friends of the minority report will agree to submit to the people of Ohio the Wisconsin tax provision, which will include inheritance tax as well as income tax, I shall be glad to join them and then we will be submitting to the people of the state of Ohio something that has been tried out and, according to the member from Portage, has worked well. I will read it:

The rule of taxation shall be uniform and taxes shall be levied upon such property as the legislature shall prescribe. Taxes may also be imposed on incomes, privileges and occupations, which taxes may be graduated and progressive, and reasonable exemptions may be provided.

There is your Wisconsin law and there is a plan that has some foundation in political economy and ordinary common sense, and if the member from Portage desires to put up to the people of Ohio a provision that will carry out his idea in a scientific manner there is a provis-

ion on which I will join him in submitting it to the people.

Mr. HALFHILL: What you have read there is the fundamental law?

Mr. DOTY: The constitutional section relating to taxation.

Mr. COLTON: I do not believe you quote correctly what I said. I didn't say that the Wisconsin tax law worked well.

Mr. DOTY: You said the inheritance part had worked well and the income tax.

Mr. COLTON: No; it is an experiment in Wisconsin yet. I did not say it had worked well.

Mr. DOTY: Then I misunderstood you.

Mr. COLTON: The income tax is an experiment.

Mr. DOTY: How long has it been in force?

Mr. COLTON: One year.

Mr. DOTY: I misunderstood you then.

Mr. COLTON: I said we ought to watch carefully the experiment that was being made by Wisconsin.

Mr. DOTY: You want to submit an income and an inheritance tax to the people of the state of Ohio this year?

Mr. COLTON: Yes.

Mr. DOTY: Would you be willing to submit the whole of the Wisconsin program, which includes what we contend for, and the uniform rule of taxation?

Mr. COLTON: I think not.

Mr. DOTY: I thought not. Now, as to anything I have to say on the main question I am through, but I want to make this statement and I want to make it because I agree to it: At the beginning of this debate Mr. Watson and Mr. Colton and I agreed upon a short program of debate without any idea that anything we agreed to would bind this Convention. We thought it advisable to have a couple of speeches on each side of the question and bring the matter to a vote. Since that agreement I have heard several members say they desired to speak and therefore I am not disposed to make a motion which would bring a vote upon this matter at this time. I only give that as my reason for not making the motion. I do want the vice president, however, to take notice of my desire for a division when this matter comes to a vote.

Mr. LAMPSON: I would like to say a word in reply to the request for a division.

The VICE PRESIDENT: Do you want to ask a question?

Mr. LAMPSON: I want to give notice that I shall object to that division as not in order when the matter comes up. The question is, "Shall the minority report be substituted for the majority" and that does not admit a division.

Mr. DOTY: We won't have a debate on that now.

The VICE PRESIDENT: Have you yielded the floor?

Mr. DOTY: Yes.

The VICE PRESIDENT: The member from Scioto has the floor.

Mr. HALFHILL: Will the member from Scioto yield to me on a question of privilege?

Mr. EVANS: Yes.

Mr. HALFHILL: When this question came up for

Taxation.

discussion it was stated here that we were discussing the entire question as if upon second reading. Am I correct in that statement?

Mr. DOTY: So far as speeches are concerned.

Mr. HALFHILL: We are confronted with a resolution adopted a week ago fixing the time of recess, and it is very evident that unless we are cautious no proper discussion of this important question can take place, because as soon as some gentleman arises and moves the previous question it will shut off all who have not up to that time spoken from discussing these two reports. Now I submit that unless we are going to act like a parcel of school boys instead of a constitutional convention, that these questions that are before us for consideration must be discussed as business men would discuss any great, important measure or undertaking, even if they consume a week or two weeks of time. In so far as I am personally concerned I feel that I am here at a sacrifice to my own private affairs and no doubt many of you gentlemen are similarly situated. Here is the report of the minority of the committee on Taxation, and that minority report is full of vicious things, inimical to the interests of the people of Ohio of this generation and their children after them, and in my judgment there are things in the majority report that are bad and should not be adopted, and we should discuss both reports thoroughly. Now if you attempt to shut off debate by taking an early vote, you practically take the sense of the Convention on that vote; and then you are confronted with the further desire that we all have to get away from the Convention, and thus you will choose this minority report without a chance even to discuss the amendments that should be offered. It is well known to everybody that the Convention has been canvassed and a large majority will vote for the minority report when the vote is taken to adopt one or the other. Permit the Convention to vote with its eyes open, and let the various amendments that should be presented to that report be discussed. This is a question that affects us all for years to come, and affects us vitally in the campaign that follows the adjournment of the Convention. Now I urge upon the Convention to sit here and do its full duty and consider and discuss this great question of taxation and every feature of it, for it is of the most vital importance, affecting us all and our children after us. I thank the gentleman from Scioto [Mr. EVANS] for yielding the floor.

Mr. EVANS: Mr. President and Gentlemen of the Convention: It is very well known in this body that I am opposed to all constitutional rules on the subject of taxation. I think that the federal convention which met in May, 1787, was a model for all constitutional conventions and that when they framed the federal constitution they were under great pressure and they had the idea and they tried to live up to it that no legislation would go into the constitution, that it would be simply a framework of government. There was not even a bill of rights attached to it, but they aimed to make a framework of the government, and yet they committed the monumental folly of putting two constitutional rules in that wonderful instrument on the subject of taxation. One was to forbid that the federal government should ever levy any export tax. It was a member from South Carolina who advocated that, and he declared if that provision was not adopted the state would not go into

the Union, and he forced the measure through. As it stands now we pay the federal taxes on what we buy, and if that measure had been left out of the federal constitution it would make the foreigner pay our taxes on what we have to sell. I do not think export taxes ought to be so large as to interfere with trade, but it is essential that that provision of the federal constitution should be amended. If we could put an export tax on the things that we have to sell, foreigners would not only pay our taxes, but we would have statistics of everything that is exported and it would be invaluable to our people to have accurate statistics of exports. But the fathers of 1787 adopted another tax rule. They provided in the constitution that we could not have any direct tax except on the capitation plan, and now we are trying to get the sixteenth amendment through to get rid of that. It is the most unfortunate thing for any community that it is inhibited from any kind of taxation. Now when such great states as New York, Massachusetts, New Jersey and Pennsylvania can get along and be rich and powerful and prosperous with constitutions not having any constitutional rule on the subject of taxation, why can not we? This agitation to have a uniform rule began in 1825 and it was kept up until 1846, and in March, 1846, the most complete and best measure that could ever be drawn in favor of this uniform rule was presented in a bill by Mr. Alfred Kelly, at one time a prominent citizen of Cleveland and afterwards a very prominent citizen of Columbus. It was an ideal measure and the democrats of the legislature opposed it. That is a matter of no consequence, although it is a matter of history. They opposed it and the whigs were in favor of it, and it went through and was adopted and was a model measure, but it was remarkable while the law professed to tax everything it had wonderful exemptions, and in a year the legislature repealed all the liberal exemptions of the law.

In 1851 came the new constitution. In the five years between 1846 and 1851 the democrats veered around and adopted this old man of the sea and put it on our shoulders and we have had it to carry ever since. It was only nine years after that that the whole system was revolutionized by a decision of the supreme court. It held in *Baker vs. Cincinnati*, 11 O. S. 534, that the taxing power was contained in section 1 of article II of the constitution and section 2 article XII was only a limitation on it. Now what situation are we in? Under the taxing power, article II, section 1, we can levy any kind of taxes, but no matter what taxes we levy, we have to retain the ad valorem taxes named in section 2 of article XII of the constitution. It is held to be a limitation on the taxing power and we have to keep it up, and now it is proposed in both of these reports to keep this so-called uniform rule. When I read the majority report, so-called, I was much shocked, but the minority report produced a greater shock. I at once thought of this part of the Litany where the petition is, "Good Lord, deliver us." If we need to call on the good Lord for deliverance from anything, it is from these two reports. The first shock resulted from our reading that old chestnut derived from the Maryland constitution of 1876, declaring that a poll tax is grievous and oppressive and forbidding it. Considering that at least eighteen states in the Union have the poll tax, it is a gratuitous insult

Taxation.

on the part of the state of Ohio by its Constitutional Convention to allege that a poll tax is grievous and oppressive, for it is not. Every man twenty-one years old ought to pay some tax to the state and a poll tax is as good as any. The fathers of 1802, the members of the constitutional convention, found this expression in the constitution of Maryland, and it has been the fashion of all constitutional conventions to go to some other old-time constitution and look it over and to follow it in a general way, and that is why we have it. Why do we copy some antiquated declaration from some old charter simply because we find it there?

This declaration against the poll tax was kept in the constitution of 1851 and kept in the constitution of 1873, and if the state had adopted the taxation provisions of that constitution, it would have been farther ahead than it is today. The committee on Taxation of the Fourth Constitutional Convention of the state of Ohio proposes to repeat this monumental folly and keep it in the fourth constitution. I will venture that this matter was never discussed in the committee, and if the whole committee were compelled to stand in line before this desk and explain why a poll tax is grievous or oppressive, or be shot at once on the floor of this Convention every one of them would have to be shot. It is beneath the dignity of this Convention to even mention a poll tax, let alone to declare it oppressive and grievous. The committee did not know it to be grievous and oppressive and it can not prove it. I am opposed to throwing an insult in the faces of our sister states. We have a poll tax in Ohio and have had ever since the state was organized. The three-dollar road tax and the dog tax are poll taxes, and, like the poor, we have had them with us always.

A constitutional rule on taxation is a curse wherever and whenever found. There is no such rule in Great Britain or in Canada, and there is no such rule in any European country. Why do we need it or require it in these United States?

The Taxation committee can not answer this question and will not. The majority report tries to hold the state down to certain kinds of taxation by naming them and thereby excluding others. The state must confine itself to succession taxes, franchise corporation taxes and assessments in counties. All other forms are excluded. No matter how desirable it may be found to give the state the uses of any other taxes, we can not do it. If counties are to be taxed ad valorem, then the assessment on them by this rule is not objectionable, but it ought not to be in the constitution. The state ought to be free to follow any plan and not be compelled to use any particular method.

It was all right to exempt state and municipal bonds, but the bonds of other states should have been exempted as well. The poison in the proposition is in section 4, that all property, including moneys, credits, investments in bonds, stocks, joint stock companies, or otherwise, and also real and personal property, shall be taxed at its true value in money.

That is the most abominable heresy and against political science and Ohio adopted it in 1851. I could enumerate, if I could take a moment to think, a number of states which have foolishly adopted article II of section 12 of our constitution.

I want to tell you about my mission to Oklahoma. It

seems I do not have much influence in this Convention on the subject of taxation, but I succeeded in getting the present liberal tax provisions in the constitution of Oklahoma. I presented them and they went through. That state can do what it chooses on taxation. When it came to Minnesota, I prepared a pamphlet and presented it, and Minnesota rid itself of the uniform rule in its constitution copied from ours. There was a gentleman, a Mr. Harris, a hardware dealer in Minneapolis, a public-spirited citizen who had five thousand copies of my pamphlet printed and distributed in that state and it rid itself by public vote of this old man of the sea. Let us get rid of him here, and if it should turn out that I do not have any influence in this Convention, I am thankful that I had some in Minnesota.

Now this section 2 of article XII is the greatest curse in the constitution of 1851, and of which the people tried to relieve themselves in 1857, 1875, 1883, 1889, 1891, 1893, 1903, 1905, and 1908. Nine different years the people of Ohio voted on a constitutional proposition in regard to taxation to get rid of this curse, and on account of that peculiar rule which required a majority of all the votes cast they failed. There have been \$463,000 spent for the adoption of constitutional amendments in this state, and of that amount at least \$200,000 have been spent to get rid of this proposition of the general property tax. Do we propose to stifle this question now? Do we propose, in our anxiety to get away, to let nobody be heard and to force a vote on it now? I say we ought not to do it. I say we should give it a full hearing. The people of this state have been trying for sixty-one years to find a uniform rule on taxation, and they have never found it, and yet both of these reports declare there is such a rule. I am just like Betsy Prig in her quarrel with Sairey Gamp. I don't believe there is any Mr. Harris or any such uniform rule, I don't believe there ever was one, and I can't understand why, when the state has been trying to find that uniform rule since 1825 and has never found it, that both reports try to keep up the fruitless quest.

It never did exist and never will exist. Then again, the true or real value of property can never be found, because value is a mere matter of opinion and varies as the opinion of different individuals varies. I want to say "aye" to what Mr. Doty said about the childish plans of having the ward assessors trying to value the property. I approve of all he said in that respect, though I do not approve of the single tax or any of his socialistic tendencies. Did it ever occur to you that there are a great many classes of property that have no element of value, that they, in fact, have no actual value? Just think of that. In Massachusetts and Tennessee they exempt household property to the extent of \$1,000. We exempt \$100, but every tax bearer takes the value of \$1,000 in property and calls it \$100, so we get along as well as Tennessee and Massachusetts. I want to tell you something that happened in Columbus day before yesterday. One of the ward assessors went around in a ward and found a poor negro and made him give a statement of all his household goods to be taxed on the same. He said, "I want to see your insurance policies on your goods and I am going to put you down for the amount of your insurance." If that is the policy of the tax assessors of this state, the people will repudiate it as soon as they get a chance.

Taxation.

That is abominable, and yet it happened in this city of Columbus not more than forty-eight hours ago.

I fully agree with the gentleman who preceded me, that farming implements should not be taxed. I doubt if any tools should be taxed, and I do not think household goods or furniture should be taxed. They ought not to be valued for taxation purposes at all, but that is a matter of detail.

We have the most puerile system of assessing property that could be devised. We elect assessors biennially. We used to elect them annually and the least qualified men of the county and the least qualified men in the townships were usually elected, and the cities in the class where I live paid them \$3.00 a day.

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

The VICE PRESIDENT: State your point.

Mr. WINN: I understand the question before the Convention is the submission of the minority for the majority report.

The VICE PRESIDENT: That is true.

Mr. WINN: Is it in order for a speaker to speak against two reports?

Mr. PECK: Why not?

The VICE PRESIDENT: The delegate has that privilege and he is in order.

Mr. WINN: It certainly does not seem to me that is good practice.

Mr. EVANS: These assessors do not do anything but distribute blanks and gather them up, and for that they are paid three dollars a day. In some cities they are paid more and that is all they have to do. Now I say it would pay the state of Ohio to employ Mr. Doty's appraisal company to value all the property in the state. Let him put forty-five hundred men to work in the state, give them standards and let them appraise all the property and they would get nearer the true value than in any other way. But in ten years such annual appraisal would benefit the state of Ohio. Mr. Doty with his appraisal company would do the work for ten years and would own us all. We can not afford to do that. This appraisal is all haphazard. You say the tax shall only be one per cent, or one and two-tenths, or one and five-tenths and you say because these values are assessed at that rate we have a uniform rule. You have not anything of the kind. You have the most unjust system of taxation which could be devised. You take a saloon that will produce one hundred per cent profit every year. Say it is valued for taxation at \$5,000 and you assess it at one per cent. Take a farm that is valued for taxes at \$5,000 and it produces ten per cent per year revenue. Now what happens? The farmer pays ten times more taxes than the saloon keeper. I will tell you what we are doing. We are doing just as they did in the time of the judges in the Scripture. You remember how it is said that every man did what ever was right in his own eyes, and that is just exactly what we are doing on the subject of taxation. Every man is doing just what he thinks is right and the state of Ohio can not afford to keep up a system that is sure to give an unjust appraisement. The system proposed makes every man his own tax assessor.

What does that bring us to but that we must have classification? I do not see why that is such a bugbear. We have it in Ohio now. Take up any tax blank

and read it and you will find eighteen different subjects. That is classification. Classification is an economic question, and if you adopt either one of these reports you will still have to have classification, although it will be lame, halt and blind. It won't be the true thing.

Now you must tax every object with reference to itself. You must take every kind of property as you find it. I am in favor of all classes of property being taxed in some manner. I don't agree to single tax at all, but even if you have single tax and practically we have it now, for nearly all our taxes are raised on real estate—but don't you know it distributes itself throughout the whole community? It is the tendency of taxes to do that, and we have it now, and yet a great many men raise their hands in holy horror about single tax when we are suffering from it today. I do not want any more of it. I want to preserve the principle that we can place taxes on other property than land, if we see fit to do so. This so-called uniform rule produces injustice and nothing else. I would like to know how many of these forty-five hundred personal property assessors in the state appraising property consider the elements of its productive quality? I do not suppose one, and yet when you look at it as an economic question, that is one of the principal things which figure in the valuation of any property.

I will give you an illustration. This case happened in my town. A gentleman had property valued at \$60,000 and he had to have \$30,000 right quick. His property was clear and a friend of his had \$30,000 in United States bonds. He said to him, "You sell your bonds and give me the money and take a mortgage on my \$60,000 of property for \$30,000. This was the day preceding the second Monday in April. There was just one subject of taxation, and that was land, before that transaction was had. The landowner paid the tax on \$60,000 of property and kept paying it year after year. The bonds were sold and were turned into money and were deposited in bank, and what occurred? The man who owned the property had to pay his tax on it just as though it were clear. The man who sold the bonds and gave the money had to pay taxes on the mortgage and then the borrower had to pay taxes on the money in bank. All at once there were three subjects of taxation just because of that transaction, which never increased values in any way. The state had three subjects of taxation where it had but one before. It had the land, it had the money, it had the mortgage. I say that is dishonest on the part of the state of Ohio, to be guilty of a practice of that kind. I am opposed to fining men of enterprise and energy, who are willing to go into debt for the purpose of making some money. I am opposed to driving out of this state such enterprising citizens of the state as Mr. Beatty, of Wood, and Mr. Weybrecht, of Stark. They are the kind of men who make the country and the state.

We can not live up to our own rule. You remember St. Paul said that circumcision was a yoke that the fathers could not bear. And what have we done? I admit that there are \$600,000,000 of credits in Ohio. In 1889 the legislature passed an innocent looking little law which said that the building and loan associations should not pay taxes on their mortgages, that they should be exempt and the people should pay on their stocks in the associations. At one stroke of the pen, we exempted \$154,000,000 in mortgages from taxation. Go put your

Taxation.

money in building and loan association mortgages. You do not have to pay taxes on them. Is that right to the remainder of the citizens of the state of Ohio owning the balance of the \$600,000,000 in credits? And yet there is no man who ever questioned that law. I think it would be declared unconstitutional if it were questioned, but no man has ever done it, and when they had the tax inquisitor law in force any tax inquisitor could have made about \$20,000,000 by putting those building association mortgages back on the duplicate. If that had been done every building and loan association in the state of Ohio would have had to shut up its doors, and we are of the opinion, all of us, that they are very valuable institutions. Now both the minority report and the majority report recommend the continuance of this practice. Let us quit being hypocrites. Let us be honest and sincere. Out West, if you were in the company of a dozen or so men who came from Eastern states and you would raise this question, "What made you leave the East and come out here?" they would all go to shooting. That is a subject tabooed out there. Let us have an honest proposition. A system of taxation is like a great locomotive. It has to be under control every minute. The engineer and firemen have to be in charge right along and it has to go to the shops every two or three days and be looked over. That is the same way with taxation. You should leave it to the legislature, where it can be attended to and looked after every minute. A single person with \$50,000 in credits in this state does not have to pay any taxes. If you do not believe that I can convince you, but I will not do it from this stand. If any gentleman thinks I can not prove it and will come to me privately, I will show him how it can be done, and no married person with \$100,000 in credits need pay any taxes on the same. He can get rid of taxes on his credits all right. I can explain that too, privately, but will not publicly.

Both of these proposals undertake to continue that state of affairs. I say we want to put an end to it, we want to be honest with ourselves and with the state, and we want to abolish the rule that permits double and triple taxation, and we don't want to penalize the people of the state of Ohio because they go in debt. One of the best men I ever knew in my life had \$5,000 in income-paying railroad stocks and he didn't want to pay any taxes on it. From the revenue he got he didn't think he ought to. He was a good Christian too. If he is not in Heaven nobody is there. Now what did he do? His son was not worth a penny, was not worth the powder it would take to blow him up, and he gave a note to his son for \$5,000, and deducted that from his return of the stocks and that let him escape taxes on the stocks.

This whole system we have is a farce from start to finish. I say that the attempt to continue the ad valorem system of taxation in the state of Ohio is the height of human folly, and when the other states of this Union which copied from us section 2 of article XII are seeking to get rid of it, why do we continue it? When some of them have gotten rid of it why do we propose to perpetuate it? I could talk much longer, but I do not think I should. I have prepared this substitute for the minority report, and at the conclusion of my remarks I desire to

offer it and move its adoption. I will ask the secretary whether it is now in order?

Mr. DOTY: A point of order. At this stage of the proceedings —

Mr. EVANS: I thought I had better do it now though.

Mr. DOTY: My point is that it is not in order at this time.

The VICE PRESIDENT: The presiding officer will have to decide that at this time the amendment is not in order.

Mr. EVANS: I want the privilege then of introducing it at some point in the proceedings of the Convention when it is in order.

Mr. LAMPSON: There is a considerable feeling in this Convention that we are proceeding in a way not to get anywhere. I do not think anybody wants to cut off debate, but there is considerable feeling that we ought to dispose of this minority report and then the question would be, Shall the majority report as amended—if it is amended—be agreed to? That would be open to amendment and debate. Then the very thing the gentleman from Scioto attempts to do might be done. It would then be in order. We are a stage or two in advance really of the point where we usually discuss at length proposals and amendments. We usually wait until the proposal is engrossed and placed upon the calendar for second reading. I do not like to cut anybody out and I am not going to do it, but there is a pretty general demand to proceed until we can come to a point where amendments are in order. In order to test the sense of the Convention, and not desiring at all to cut anybody out from discussion, I demand the previous question upon the pending question only, to-wit, the substitution of the minority report for the majority report, with the understanding that if it shall be substituted, then there will be ample opportunity for debate and amendments.

Mr. DOTY: I rise to renew my demand for a division of the question and the yeas and nays on a certain portion of the report.

Mr. LAMPSON: I make the point that the question is simply upon the substitution of the minority report for the majority report and that that is indivisible.

The VICE PRESIDENT: The matter before the Convention is the previous question upon the minority report only.

Mr. DOTY: I made this demand about half an hour ago, and I am simply renewing it now before the previous question is put, as I have a right to do, because I could not do it afterwards.

Mr. LAMPSON: The point of division has not been reached yet.

The VICE PRESIDENT: Let the presiding officer have a chance to decide—

Mr. DOTY: Do I understand that the decision as to the divisibility may be made after the previous question has been ordered?

The VICE PRESIDENT: Certainly.

Mr. DOTY: All right.

The VICE PRESIDENT: The question before the Convention is "Shall debate be closed on the substitution of the minority report for the majority report?" The understanding is, if it carries, that it leaves open the ques-

Taxation.

tion of the adoption of the majority report and amendments will be in order thereto.

The main question was ordered.

The VICE PRESIDENT: The motion is unanimously carried, and now the vote must go upon the substitution of the minority report for the majority report. Now, with reference to the matter brought up by the member from Cuyahoga [Mr. DOTY], I call attention to Rule 24:

Any member may call for a division of the question, and the decision of the president, as to the divisibility, shall be subject to appeal, as in questions of order.

Any member may call for a division of the question, which at this time is a substitution of the minority report for the majority report; but it is perfectly apparent that the Convention can not amend the minority report by putting something into the report—that is to say, we are not supposed to put into the mouths of the minority of the committee something they did not recommend, but we can reject a part, if we choose, of the minority report or accept all, as we may desire. There may be part of the report we desire to reject or accept and the only way of doing it is by division.

Mr. RILEY: Could not that be accomplished just as easily by a motion to strike out?

Mr. DOTY: There are various ways, but this is one way.

The VICE PRESIDENT: The chair will make the ruling and give reasons for the ruling first. In ordinary parliamentary practice a division of a question is in the form of an amendment, which would not be in order after the previous question had been called and ordered; but this is different, in that it doesn't demand a vote, but any member can call for it and then it must be left to the decision of the chair. The chair will make the decision and is sorry to make it that way, but I see no other way to do it here in my own mind. This question is on the substitution of one report for another—that is, it is the adoption of the minority report for the majority report, which will not admit of division because after it is adopted or rejected you can reach the same thing by amending it. Therefore, I will decide the division is out of order.

Mr. DOTY: I demand the yeas and nays on the question.

The VICE PRESIDENT: On the substitution of the minority report?

Mr. DOTY: Yes.

Mr. THOMAS: After one or the other of these reports is adopted can we carry a motion to proceed immediately to the second reading?

The president here took the chair.

Mr. DOTY: No.

The PRESIDENT: The yeas and nays have been demanded on the substitution of the minority report for the majority report.

The yeas and nays were taken, and resulted—yeas 74, nays 36, as follows:

Those who voted in the affirmative are:

Anderson,	Brown, Pike,	DeFrees,
Antrim,	Campbell,	Donahay,
Baum,	Cassidy,	Dunlap,
Beatty, Morrow	Cody,	Earnhart,
Beatty, Wood,	Collett,	Eby,
Beyer,	Colton,	Elson,
Brattain,	Cunningham,	Farnsworth,

Fess,	Longstreth,	Riley,
Fluke,	Ludey,	Rockel,
Fox,	Marshall,	Shaw,
Harbarger,	Mauck,	Soletcher,
Harris, Ashtabula	McClelland,	Stalter,
Henderson,	Miller, Crowd,	Stevens,
Holtz,	Miller, Fairfield,	Stewart,
Hursh,	Miller, Ottawa,	Stokes,
Johnson, Madison,	Moore,	Tannehill,
Jones,	Norris,	Tetlow,
Kehoe,	Nye,	Thomas,
Keller,	Okey,	Wagner,
Kerr,	Partington,	Walker,
Kilpatrick,	Peters,	Watson,
Kramer,	Pettit,	Winn,
Kunkel,	Pierce,	Wise,
Lambert,	Price,	Woods.
Lampson,	Read,	

Those who voted in the negative are:

Bowdle,	Harris, Hamilton,	Read,
Cordes,	Harter, Stark,	Redington,
Crosser,	Hoffman,	Roehm,
Davio,	Hoskins,	Rorick,
Doty,	Johnson, Williams,	Shaffer,
Evans,	King,	Smith, Geauga,
Fackler,	Knight,	Stamm,
Farrell,	Leete,	Stilwell,
FitzSimons,	Leslie,	Taggart,
Hahn,	Malin,	Ulmer,
Halenkamp,	Matthews,	Weybrecht,
Halfhill,	Peck,	Mr. President.

So the minority report was substituted for the majority report.

The PRESIDENT: The question now is upon agreeing to the report of the committee as amended.

Mr. ANDERSON: I offer an amendment.

Mr. DOTY: A point of order, the same point of order that was raised when Captain Evans offered his amendment. The question here is on agreeing to the report of the committee. That has not been decided yet. We have substituted the minority report for the majority report and the report is still pending.

Mr. LAMPSON: I think this presents a different question from the one presented a few moments ago, when the question was simply upon the substitution of the minority report for the majority report. The question is upon adopting the majority report as made by the adoption of the minority report for the majority report. That majority report as now before us is open to amendment and full discussion.

Mr. DOTY: There is no question about having full discussion, but we are in the same parliamentary stage as far as ability to amend the report as before. I never heard of such a thing as putting into the mouths of the committee something they did not sign.

Mr. KNIGHT: Will the gentleman from Cuyahoga get us to a point where we can amend this report?

Mr. DOTY: Just adopt the report—agree to the report.

Mr. LAMPSON: You mean then it would be open to amendment on the question of engrossment?

Mr. DOTY: Yes, and we are not there yet.

The report was agreed to.

The PRESIDENT: The question now is on engrossment.

Mr. LAMPSON: And under our understanding there should be opportunity for debate and amendment?

The PRESIDENT: The chair so understands.

Taxation—Relative to Final Adjournment.

Mr. ANDERSON: I offer an amendment.
The amendment was read as follows:

Strike out all after the word "proposal" and in lieu thereof insert the following:

To submit an amendment to article XII, sections 1, 2, and 6 of the constitution, and to add thereto sections to be known as sections 7 and 8.—
Relative to taxation.

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:

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. 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 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 exempt from such tax.

Mr. DOTY: I offer an amendment.
The amendment was read as follows:

Strike out sections 2, 3, 6 and 7 and insert in lieu of section 2 the following:

"All real and personal property, shall be taxed by a uniform rule according to its true value in money; 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 two hundred dollars for each individual, may, by general laws, be exempted from taxation."

Renumber sections in accordance therewith.

The delegate from Cuyahoga [Mr. THOMAS] here took the chair as president pro tem.

Mr. ANDERSON: I want to give a brief word of explanation. If the substitute amendment be adopted the laws of taxation will remain the same they are now with the exception that bonds will be taxed. In addition to that it will give us income and inheritance taxes. That is the only changes it will make.

Mr. KING: I would like to inquire of the gentleman, and if he can not answer it, from anybody else responsible for either report, why it is necessary to preserve section 6. I notice both reports carefully preserve section 6 and the gentleman from Mahoning in his amendment continues that section also. I can not understand why section 6 is not entirely covered by the provision in article VIII, which expressly limits the amount of indebtedness which the state may incur and the purposes for which it shall be expended except as we may amend it by the proposal submitted for good roads.

Mr. ANDERSON: The only purpose we had in mind—because whatever credit is due for the drawing of this amendment should be given to Mr. Cassidy—was to preserve the good roads propositions already adopted.

Mr. KING: It would not interfere with the good roads proposition because the good roads proposition is excepted from the provision of section 6.

Mr. ANDERSON: I am aware of that, but to make doubly sure we put it in here.

Mr. LAMPSON: I rise to a question of privilege of the Convention and ask leave to make a statement concerning adjournment.

Unanimous consent was given.

Mr. LAMPSON: Upon consultation with quite a good many delegates, especially consultation with the chairman and other members of the committee on Arrangement and Phraseology, we are of the opinion that if this Convention goes on with its work today and some time tomorrow and adjourns at two o'clock on Monday and then comes back and goes on with its work until Thursday, which I believe is the day set to go to Chillicothe, that will leave us Thursday at Chillicothe and the Convention should then adjourn at Chillicothe over and until next Tuesday. In the meantime the committee on Arrangement and Phraseology and the committee on Schedule will sit here, put in their work and be ready to report, especially the committee on Phraseology, when we reconvene on Tuesday, and then, if we get along well on Tuesday, Wednesday, Thursday and Friday, we can finally adjourn on May 17, as has already been agreed upon. Upon consultation with the committee on Arrangement and Phraseology—I would like to have Mr. Colton state what he thinks about the

Relative to Final Adjournment.

ability of that committee to be ready to report upon Tuesday as I have stated?

Mr. COLTON: The committee on Arrangement and Phraseology can do some work in the recess during this week and next week. It can spend Friday, Saturday and Monday, and at the conclusion of next week we can be ready to report on Tuesday, as the gentleman from Ashtabula has suggested.

Mr. LAMPSON: I now move to postpone the further consideration of the pending matter for five minutes.

The motion was carried.

Mr. DOTY: I now ask consent to introduce a resolution.

The resolution was read as follows:

Resolution No. 114:

Resolved, That Resolution No. 108, adopted April 24, 1912, be amended as follows:

Resolved, That this Convention, when it adjourns on Thursday, May 9, 1912, shall adjourn to Tuesday, May 14, 1912, at 10 o'clock a. m. at which time the standing committee on Arrangement and Phraseology shall report upon such matters as shall have been referred to said committee.

Resolved, That the calendar of business for May 14, 1912, and thereafter, shall consist only of proposals for third reading and questions appertaining thereto, and no other business shall be considered except that which shall pertain to the concluding work of the Convention.

Resolved, That this Convention shall adjourn sine die, at 12 o'clock noon, Friday, May 27, 1912.

Resolved, That Resolution No. 108 is hereby rescinded.

Mr. DOTY: I move that the rules be suspended and the resolution be put on its passage.

The motion was carried.

Mr. DOTY: This resolution is simply a repetition of what has heretofore been passed with the amendment of the gentleman from Ashtabula [Mr. LAMPSON].

Mr. HOSKINS: What does this resolution imply with reference to the work we ought to do tomorrow?

Mr. DOTY: It implies that we are to work tomorrow and then come back Monday at two o'clock and work until we are through.

Mr. HOSKINS: Is this one of those bluffs about "tomorrow"?

Mr. DOTY: In so far as I am concerned, it is not. I do not know what it is with reference to the gentleman from Auglaize [Mr. HOSKINS].

Mr. KNIGHT: The cloak room is full of traveling bags.

Mr. HOSKINS: If we are going to work tomorrow we might as well understand it. I have some engagements tomorrow that should be taken care of, but if we are going to work I want to know it so I can be here.

Mr. DOTY: So far as I am personally concerned I think we should sit here and work even tomorrow night.

Mr. HOSKINS: That might be my opinion, but my judgment is you are not going to do that and this meeting will close this afternoon as usual.

Mr. DOTY: No.

Mr. HOSKINS: That has been the expression of a dozen members who have talked, and, as the gentleman

from Franklin [Mr. KNIGHT] says, "the cloak room is full of bags", to go away tonight. Those of us who have engagements to take care of tomorrow would like to know positively so we can make our arrangements accordingly. We would hate to postpone our engagements and then find we do not have a quorum here tomorrow. I do not see why this Convention can not decide now whether we are going to sit tomorrow or not.

Mr. ANDERSON: Will you ask unanimous consent and have all of those who will be here tomorrow say yes? Then if there is a quorum we will know.

Mr. HOSKINS: I will do that—

The PRESIDENT: The secretary will call the roll on that proposition.

Mr. ROEHM [during the roll call]: I will vote "Yes, until tomorrow noon."

Mr. RORICK [during roll call]: I vote "Yes, until two o'clock tomorrow."

Mr. ANDERSON: Under the ordinary rules Mr. Stilwell, being present, must be counted.

Mr. ROEHM: I believe a great many of those who have said yes and that they will be present tomorrow had something else in their minds. They haven't said how long they will be present tomorrow, and about eleven o'clock we will find a bunch of them going away, and at two o'clock there will be another bunch, and there will not be a large enough number here to transact business in the proper manner. I believe it would be a proper thing for us to canvass as to the hour of adjournment tomorrow and let all who say they will be here up to the end of the adjournment vote so we can know it.

The PRESIDENT: The member is out of order.

Mr. ROEHM: Then when I am in order I will take the floor and put that motion.

The roll call was then finished. Eighty-six members answered in the affirmative.

Mr. ROEHM: I want to offer an amendment that we adjourn tomorrow at twelve o'clock.

Mr. DOTY: A point of order. The amendment the gentleman offers is not reduced to writing and it is not germane to the question. As soon as we adopt this resolution and declare what we are going to do, then we can take up the matter of today or tomorrow.

Mr. ROEHM: Does not the resolution provide for an adjournment until Monday night?

Mr. DOTY: The rules provide for that.

The PRESIDENT: The president did not like to declare the member out of order, but will the member withhold that?

Mr. KNIGHT: The roll call shows that only eighty-six members promised to be here tomorrow and some of them will not be here more than a few minutes. It seems to me it is absurd to talk about doing any business tomorrow in the form of passing proposals. It seems to me it is rather an absurd method of closing the business of this Convention in that it is just like the confusion of the general assembly. We have a number of proposals on the calendar. If we give them decent consideration they will occupy more time than is allowed here. Further than that, with all due respect to the chairman of the committee on Phraseology, I expect you will find when the Convention comes back that the work will not be in

Relative to Final Adjournment.

such shape that the Convention can proceed with it. I know some of the members can not work Saturday of this week. It has always been regarded that we would have ten days of recess and that that was the minimum time that would be required to properly do this work.

Mr. ANDERSON: Is it your opinion that if we adjourn tonight and allow the committee on Arrangement and Phraseology to have all of tomorrow that it can have its work done by Tuesday?

Mr. KNIGHT: I am opposed to the whole resolution. I think the Convention should adjourn regularly and come back next week and finish up its business as it should be done, and then, at the close of next week, it ought to recess for ten days. That would cover the primaries and then we could come back the day after the primary and close up our work. I am opposed to the resolution entirely.

Mr. DOTY: Do you not understand that this resolution or some other resolution must be passed, as we have a resolution in effect to adjourn tomorrow at noon for ten days?

Mr. KNIGHT: Yes.

Mr. DOTY: You want the Convention to adjourn tomorrow?

Mr. KNIGHT: This is not the only resolution that can be offered. I think we could prepare some other resolution.

Mr. DOTY: I said this or some other.

Mr. KNIGHT: Well, let us kill this and put up some other.

Mr. NORRIS: I think the economy of time we are attempting to secure is the most dangerous kind of economy. We took the job to come down here and transact this business for which the people called us together, and we should devote sufficient time to it to do it carefully and conscientiously and properly. Now right at the end of the session we seem to devote our attention, instead of to business, to devise ways and means of neglecting business and getting away from this Convention. I think at the last of this Convention we ought to devote our time to it just as carefully as at any other time. I do not know that my opinion on that is of so much value, because I have not had much experience in the legislative line, but I think whatever we do we ought to take time to do it properly and carefully if it takes an extra week or two weeks.

Mr. LAMPSON: That is just what we are proceeding to do. We have adopted a resolution to adjourn tomorrow for ten days, and unless that is modified when the time comes we can not do otherwise. This resolution puts that off a week and allows the Convention to go on in the usual manner for another week. If it develops at the end of next week that the time we have allowed in this resolution for the committee on Arrangement and Phraseology to report is not sufficient, you can give them some more time, but the imminent thing now is to get this week before us.

Mr. FESS: I feel that the Convention is going to do something that is not helpful for the Convention or its work. We are all anxious to get away from here and the psychology of the situation is that as this grows upon us we are liable to go with a rush, and we will never suffer by taking a little time. We are certainly in danger of suffering if we rush through without giving

sufficient consideration to the closing days of our work, and, realizing the imminence of action upon this resolution, I think we shall have to act upon it in order to avoid adjourning Friday; certainly we must. But, gentlemen of the Convention, there is nobody in this Convention that ought to consider getting out of here of greater importance to himself personally than the one who is addressing you, for as president of a college, with the commencement day coming on the 5th of June and work crowding us wonderfully, I would like to get out of here. I have not certain matters on my mind that some of the rest of you have. Matters of that sort are not disturbing me. I do not care anything about the primary. That is secondary. I have been here every day that the Convention has been in session except when I was on my back sick, and I shall continue to stay here.

Mr. HARRIS, of Ashtabula: Following the line of argument we have just listened to, we took the job of making, revising, amending and altering the constitution. College professors, farmers, attorneys and everybody else undertook that job. Now is not that the first work?

Mr. FESS: I do not know whether the member from Ashtabula [Mr. HARRIS] was listening to me or not. I rather think not. That was the point I was trying to impress, that no matter what other work is pressing upon me, this is the work I am going to do. I am not going to abandon this for anything, even for the work of my college. I gave up that work to look after this, but this is what is disturbing me: We are in a situation of hurrying and the first thing we know we will adjourn without having our work completed, and we will feel sorry for it afterwards. Now we have to pass some adjourning resolution, but I hope that you, as members of this Convention, will hold open the privilege of further amending later on if it appears that we can not do our work in the time allotted. I do not want to fix the time here beyond which we can not go, and have you hold it up to me and say, "You have agreed to adjourn," and because we have a majority we will adjourn. I am in favor of this resolution, but I hope the temper of the Convention will be to extend the time to any length necessary to finish our work.

Mr. WINN: Do you know of any way by which we can pass a resolution that we can not rescind if we want to?

Mr. FESS: No; the majority can rescind anything.

Mr. ANDERSON: I offer an amendment.

The amendment was read as follows:

Strike out all except the last line.

Mr. DOTY: I move to lay that amendment on the table."

The motion was carried.

Mr. KNIGHT: I offer an amendment.

The amendment was read as follows:

Strike out "May 14" wherever it appears and insert "May 22". Strike out "May 17" and insert "May 31."

Mr. KNIGHT: That gives the committee on Arrangement and Phraseology ten days and then we can come back and have six working days.

Mr. DOTY: I think it is time for this Convention to favor the committee on Arrangement and Phraseol-

Relative to Final Adjournment—Taxation.

ogy when the committee on Arrangement and Phraseology requests more time. The chairman of the committee, who is in very close touch with the work of that committee, has stated to you that he thinks he can get through in the time allotted in the original resolution. If we find that is not true, and at any time the chairman will frankly say so we can give him the time necessary. I therefore move that the amendment be tabled.

The motion was carried.

Mr. NYE: It seems to me that we ought not hurry this matter at the very close of our work. I am a member of the committee on Arrangement and Phraseology and I know that the committee has put in all of the extra time it could outside of the meetings of this Convention, and we have been unable to keep up with the proposals that have been adopted by this Convention. There are now about thirty proposals. Those proposals have to be considered carefully and have to come back and be submitted to this Convention, and after that there is to be a provision made for submitting the entire work to the people. There has to be a schedule prepared, and there has to be a provision made for submission, and we vote upon the proposals separately, so that every individual proposal can be submitted to the people as a separate proposal and so that the people can vote yes or no on them. Those matters can be considered not only by the committee but by the Convention as well. As has been said, we came here to do this work. No one is more anxious to get away than I am, but I want to stay here until we get the work done well. We ought not to hurry away and then find we have omitted some work. If we were a legislature the correction could be made at the next term. That can not be done with this Convention. When we adjourn our work is at an end, and we can not come back again. I say what we do let us do well. I think we need more time in which to do it than is provided for by this resolution.

Mr. ELSON: I am highly grateful for this executive recognition. I want to say that I regret very much that Mr. Knight's resolution was voted down. I agree with every gentleman who has expressed himself on this subject that there is serious danger that we shall do the wrong thing, that we shall adjourn too suddenly and that we will discredit ourselves and our work in the eyes of the people. For my part I am sure I could name over half a dozen important things that we have discussed that will take or ought to take a day or so to each one, and I do not think we should be in a hurry about it. I am as anxious to get out as anybody, but it seems to me impossible to do our regular work in two weeks and then after a week's adjournment reassemble and finish the work in a week. I am willing to vote for this resolution, but only on the idea that we shall rescind it if it is found necessary, and I think it will be found necessary.

Mr. HARRIS, of Hamilton: It seems to me there is a great deal of time wasted about nothing. Judge Winn stated the whole case in a nutshell. There is no resolution that the Convention has adopted that the Convention can not rescind. We are doing now what we have done twice before. We say we will try to adjourn on such a date. If the committee on Arrangement and Phraseology requires more time the Convention will give it, and it is time enough when the Convention knows

that committee will need more time to grant the extension.

Mr. LAMPSON: The imminent thing here is to give the Convention another week to go along with its work as it has been doing. So far as I am concerned, I am a member of the Arrangement and Phraseology committee and I have stayed with that committee. I have been home only twice since I came here. I have stayed over and worked Fridays, Saturdays and Mondays and I expect to work Friday, Saturday and next Monday on the committee on Arrangement and Phraseology, but what we are trying to do now is to get a week's more time, and when the time comes we will take care of the situation.

The PRESIDENT: The president has been called out by the people from Chillicothe, who are anxious to know as to our movements next week, and the passage of this resolution will enable me to answer them in the affirmative.

The question being "Shall the resolution be adopted?" The yeas and nays were taken, and resulted—yeas 96, nays 5, as follows:

Those who voted in the affirmative are:

Anderson,	Fox,	Miller, Ottawa,
Antrim,	Hahn,	Moore,
Baum,	Halenkamp,	Partington,
Beatty, Morrow	Harbarger,	Peck,
Beatty, Wood,	Harris Ashtabula,	Peters,
Beyer,	Harris, Hamilton,	Pettit,
Bowdle,	Henderson,	Pierce,
Brattain,	Hoffman,	Price,
Campbell,	Holtz,	Redington,
Cassidy,	Hursh,	Riley,
Cody,	Johnson, Madison,	Rockel,
Collett,	Johnson, Williams,	Roehm,
Colton,	Jones,	Rorick,
Cordes,	Kehoe,	Shaffer,
Crites,	Keller,	Shaw,
Crosser,	Kerr,	Solether,
Cunningham,	Kilpatrick,	Smith, Geauga,
Davio,	Kramer,	Stamm,
DeFrees,	Kunkel,	Stewart,
Donahay,	Lambert,	Stiwell,
Doty,	Lampson,	Taggart,
Dunlap,	Leete,	Tannehill,
Dunn,	Leslie,	Tetlow,
Dwyer,	Longstreth,	Thomas,
Earnhart,	Ludey,	Ulmer,
Eby,	Malin,	Wagner,
Elson,	Marshall,	Watson,
Farnsworth,	Matthews,	Weybrecht,
Farrell,	Mauck,	Winn,
Fess,	McClelland,	Wise,
FitzSimons,	Miller, Crawford,	Woods,
Fluke,	Miller, Fairfield	Mr. President.

Those who voted in the negative are: Nye, Read, Stalter, Stevens, Walker.

So the resolution was adopted.

Mr. DOTY: I move that when the Convention adjourns or recesses tonight it be until nine o'clock tomorrow.

The motion was carried.

Mr. DOTY: I now call up the pending matter, Proposal No. 170.

The president recognized the member from Gallia [Mr. MAUCK].

Mr. MAUCK: The pending question is the amendment of the gentleman from Mahoning [Mr. ANDERSON], which provides that the only exemption from taxation of municipal securities shall be those outstanding at

Taxation.

present, so that subsequent issues will be the subject of taxation. The most odious part of the amendment to the constitution adopted in 1905, exempting public securities from taxation, was that part which exempted some \$300,000,000 and odd of securities issued theretofore from taxation which had been issued at a high rate of interest because they were taxable at the time they were issued. I think perhaps no more dishonest scheme was ever put through the legislature and ratified by the electors of the state through the tricks of political parties than to exempt from taxation some \$300,000,000 of securities that had been issued at a high rate of interest, some of them as high as six per cent, because they were taxable. Now, if it is proposed to put subsequent issues upon the tax duplicate, manifestly those issued prior to the adoption of the amendment of 1905 should be restored to the tax duplicate, because they had been issued at rates as high as five and six per cent. I offer an amendment.

The amendment was read as follows:

Amend the amendment offered by Mr. Anderson to Proposal No. 170 as follows: After the word "therewith" in section 2 add the following: "issued after December 31, 1905, and prior to the approval of this amendment."

Mr. ANDERSON: It was our purpose to do just what your amendment does, but in the hurry we forgot it. We ask that this be made part of our amendment.

Mr. PECK: The purport of your amendment is to put on the tax list bonds issued prior to the adoption of the constitutional amendment. How are you going to distinguish them, and what about the rights of those parties who have bought them under the constitution providing that they should not be taxed?

Mr. MAUCK: They are not in the hands of innocent persons.

Mr. PECK: How do you know that?

Mr. MAUCK: They bought them subject to the possibility of a law restoring them.

Mr. PECK: You can say that as to anything.

Mr. MAUCK: The constitution only protects those that were issued after it.

Mr. PECK: It protects all, and if anybody bought any bonds issued previously he comes under this constitutional provision.

Mr. MAUCK: The member from Hamilton [Mr. PECK] would not claim that you could put on a duplicate those issued since —

Mr. PECK: I claim you can not put on any that have been issued, and I think it would be unjust, dishonest and a disgrace for the Convention to do it. I want to tell the Convention another thing that they don't seem to appreciate, that putting these bonds on a tax duplicate would lose the Convention more votes than anything we have done. There are thousands and thousands of bondholders in Ohio and you don't know them. They live next door and every blessed one of them will vote against the constitution.

Mr. ANDERSON: If we regard it as the right thing to do, should we care what the voter thinks?

Mr. PECK: Sometimes it is a matter of expediency more than right. The bonds were taken off the tax duplicate because it was thought the municipality or the state would receive the benefit in a low rate of interest, and

they have in many instances. Perhaps the interest has not fallen as much as it was expected to, but put them on again and it will go up and when they are paying five and six per cent for borrowed money the people in the cities and towns will wish they had left them off. You should take a broader view of it. Simply because one man has bonds and another man has another kind of property, you should not say they should all be taxed alike when you have said that they should not be taxed. I venture to say you can not do it, that the constitution of the United States will protect the people.

Mr. MAUCK: What was the consideration that passed to the public for the release from taxation?

Mr. PECK: The consideration was the solemn promise of the state of Ohio made by a constitutional amendment and adopted by a vote of more than six hundred thousand people that they should not be taxed, and when the state of Ohio has pledged its solemn honor that they shall not be taxed I, representing the state of Ohio, rise to protest against a violation of that pledge.

Mr. WATSON: Was not that secured by fraud upon the voters of Ohio?

Mr. PECK: I do not think it was. What right have you to make that assumption?

Mr. WATSON: Evidently it was.

Mr. PECK: You are assuming that the voters of the state of Ohio are a set of ignoramuses?

Mr. MAUCK: The release from taxation of these bonds during the past seven years has been an absolute gratuity, has it not?

Mr. PECK: No, sir; it has been a benefit to the cities and towns that sold the bonds, in that they have a low rate of interest.

Mr. MAUCK: I refer to bonds issued prior to 1905. The holders had an absolute gratuity in the release from taxation.

Mr. PECK: I am talking about the people who have bought bonds since then.

Mr. MAUCK: Now it does not follow from the fact that we have given them seven years of gratuity that we are bound to give them a gratuity of thirty-three years.

Mr. PECK: How about the men who bought them last week?

Mr. MAUCK: They bought them with knowledge of the defect.

Mr. PECK: How do you know they bought them with knowledge of the law, for that is all you can make out of them?

Mr. MAUCK: They bought them with the knowledge that the constitution might restore them to taxation.

Mr. PECK: You may pass your law, but the constitution of the United States declares that you shall not impair the obligation of a contract.

Mr. MAUCK: We are not impairing the obligation of any contract. It is an absolute gratuity and not a contract.

Mr. PECK: It was an agreement with this state. They bought those bonds on the face of the agreement.

Mr. MAUCK: What was the consideration?

Mr. PECK: The money they paid for the bonds. They might have paid a higher price because the bonds were tax free.

Mr. MAUCK: How do you know that?

Taxation.

Mr. PECK: Every bond broker in the United States has been advertising nontaxable Ohio bonds.

Mr. MOORE: Does any constitution prevent the righting of a great wrong?

Mr. PECK: Where was the wrong?

Mr. MOORE: In passing the Longworth law that made that exemption possible.

Mr. PECK: If the state of Ohio has done itself a wrong, it can not right it at the expense of other people. The state of Ohio said to the city of Cleveland, the city of Cincinnati, Dayton and your town, you may issue bonds without taxes, and you may get a lower rate of interest on those bonds and those cities and towns took advantage and issued them and sold them and now you propose to put taxes back on them and upon the people to whom you made that pledge.

Mr. WATSON: If you can get them, but it is claimed that we never can get them and why all this trouble about it then?

Mr. PECK: You can get them if you assume the people are honest, and you are trying to do a dishonest thing; you are trying to beat the constitution. There are forty thousand people whose votes will be influenced, and they are the brokers and the bankers in the state, and every one of them will be against the constitution.

Mr. THOMAS: How about a million working people?

Mr. PECK: And there are some of those working people who have thousands of these bonds. They have a good many more than you think they have. I know in Cincinnati our German mechanics are steady buyers of small quantities of municipal bonds.

Mr. WATSON: Are we here to write a constitution in the interest of the bondbrokers?

Mr. PECK: We are here to do justice to all the people and not to rob anybody. We are here to preserve the honor of the state of Ohio, which is dear to every one of us, I hope, and I do not want to do anything that can be pointed to and have it said that the state of Ohio has deceived the people. She promised that these bonds that these poor people have bought should not be taxed, and now she will levy taxes upon them.

Mr. CUNNINGHAM: I would ask the gentleman from Hamilton [Mr. PECK] whether the supreme court has not already passed upon this question and decided they could not again be restored to taxation?

Mr. PECK: I do not remember the decision.

Mr. CUNNINGHAM: Judge Worthington referred to the case when I raised the question of the taxation of these bonds, and he referred to a case and made it very clear to my mind that the supreme court had already settled this question and therefore it was not further talked of in the committee.

Mr. PECK: It has been clear law ever since the Dartmouth College case that the state can not violate its obligations by law or otherwise and they are protected by the constitution of the United States. I tell you if you pass this it will be futile, because judges of the supreme court of the United States will see that it comes to naught, but what I am protesting against is that it is dishonest in the state to say that it would not tax these bonds and then attempt to tax them.

Mr. WINN: Do you understand that the proposition

is to tax bonds that were issued under the provisions of the constitution existing at the time they were issued?

Mr. PECK: No; they were issued before, but have come under the amendment.

Mr. WINN: Would there be any injustice in your opinion to restoring to taxation those bonds that were issued before the constitution was amended exempting stocks and bonds?

Mr. PECK: If you had some that you had bought last week you would think so.

Mr. WINN: If the bonds are now held by the person who purchased them before the amendment—

Mr. PECK: That is impracticable. You couldn't make any such distinction.

Mr. WINN: Is it not true that they have always escaped taxation and there is much ado about nothing here?

Mr. PECK: I do not know about that. I am concerned with the honor of the state of Ohio and I want to keep her straight.

Mr. JONES: May I ask Judge Peck a question? Is not all that is involved in this whole matter merely a question of taxation and is the situation any different in that it is municipal bonds from what it would be if it were bonds of corporations or mortgage liens which had previously been exempted from taxation and which it was now proposed to restore to taxation?

Mr. PECK: I think there is some difference.

Mr. JONES: In what respect is it different, treating it as a question of taxation?

Mr. PECK: Municipalities are creatures of the state, endowed with power to issue these bonds, and every one of those that issued bonds did it under specific act of the general assembly, and therefore the state, when dealing with it, is dealing with its own creatures.

Mr. JONES: Are not private corporations creatures of the state?

Mr. PECK: But their property is not.

Mr. JONES: And their securities are issued under laws authorizing them?

Mr. PECK: They may be empowered to issue them, but they are not creatures in the sense that the municipality is. In the old constitution it was the state giving light to the municipality and the state making it: Blessed be the name of the state.

Mr. JONES: But so far as the purchaser of those securities is concerned, he would be purchasing the security of a private corporation which has been relieved by law of taxation?

Mr. PECK: That is one misleading analysis that doesn't work.

Mr. JONES: Would not that be the same as if he purchased the security of a public corporation, for instance, bank stock or any other private stock? Has not the state the undoubted right at all times to determine whether this class of property shall be taxed or the other, that horses may be taxed this year and next year not, and the situation is the same as if a man bought a horse released from taxation and then you would propose to tax that horse next year and make it less valuable?

Mr. PECK: You do not discriminate between the right and the power, if the state has power to do a thing, it can do it. You are driving in the street with your

Taxation.

buggy and you have a right to be there as much as anybody, even the fellow with the big automobile. You have equal rights there, but the man with the big machine can run you down. He has no more right to be there than you have, but he has the power to run you down. So the state can run over you and mash you to pieces, and not be responsible, but the highest attribute of the state is to do justice and the state with the voices of honest men will never knowingly pass laws which do injustice to any class of citizens, at least, it never should and never will with my voice. There are some people who think if they can grab a penny in any county for the state that they are serving the state, but if they grab it dishonestly they are not serving the state, they are serving the devil.

Mr. HARRIS, of Hamilton: A suggestion to Judge Peck on the answer to the policy of Mr. Jones: Mr. Jones asked you what was the difference between bonds issued by a private corporation not subject to taxation and the bonds of a municipality not subject to taxation, both of which are tried to be met by this amendment. Is that correct, Mr. Jones?

Mr. JONES: So far as working injustice on the owner is concerned, exactly.

Mr. HARRIS, of Hamilton: Don't forget that. I call your attention to this: It is well known that corporations do issue bonds which at the time issued are not subject to taxation, and they have a distinct contract with the buyer of the bonds that they will assume any future taxes that may be levied against such bonds. As a banker you know that such things are written in the bonds. You have handled such bonds, and so have I, where that provision is distinctly written into the bond. Therefore, if the state puts any taxation on those bonds the holder of the bond does not suffer any injustice because the corporation itself pays that tax. Now that implied contract exists, between the municipality that has issued these bonds and the buyer, that no tax shall be put upon those bonds, and when you put the tax on the bonds you do not make the municipality pay it, but make the owner of the bonds pay it. That is a broad distinction.

Mr. MAUCK: Will the gentleman yield for a question from me?

Mr. HARRIS, of Hamilton: Yes.

Mr. DOTY: A point of order.

The PRESIDENT: What is it?

Mr. DOTY: The gentleman from Hamilton [Mr. PECK] has the floor?

Mr. HARRIS, of Hamilton: That is so.

Mr. PECK: If Mr. Mauck wants to ask a question I am perfectly willing that he should do so.

Mr. MAUCK: Mr. Harris, of Hamilton, said there was an implied contract. Where does he find that implied contract in the bonds issued previous to 1905?

Mr. PECK: I did not understand Mr. Harris to make that statement and I am not responsible for his statement.

Mr. MAUCK: This does not attempt to put any such tax on any such bonds issued since 1905, but on bonds issued prior thereto.

Mr. HARRIS, of Hamilton: Therefore, it is the breaking of faith, for in 1905 the state by a vote of over six hundred thousand said they should not be taxed.

Mr. PECK: I will ask Mr. Mauck a question. Do you not know as a lawyer that all parts of a law relating to a subject form part of the contract entered into?

Mr. MAUCK: Yes.

Mr. PECK: Now here are these bonds sold with the law providing that they should not be taxed, and that becomes a part of the obligation of the state to the parties who buy and sell those bonds; and every bond that has been sold since the passage of that amendment in 1905 has been sold and bought with the distinct understanding that the bond is nontaxable, and I maintain it is not proper and is not possible now to change those contracts which say that the bond is not taxable.

Mr. MAUCK: But is it not true that the public contract entered into at the time when these bonds were taxable was a public contract and the contract you refer to is a personal, private contract?

Mr. PECK: But you can not go back and right that which you claim is wrong. You can not go back and right it now at the expense of innocent parties who have bought bonds without knowledge of this.

Mr. WATSON: Suppose a few years ago the farm land of Ohio had become exempt from taxation and suppose those farm lands had changed hands, and suppose that under this constitution we were seeking to find property upon which to put taxes, would you be here arguing that we were doing wrong in restoring that land to taxation?

Mr. PECK: I will be here to say that would work a hardship on the people who had bought the land since, and that they should be compensated in some way.

Mr. WATSON: Is it not a fact that farm lands may be bought when the rate is one thing and that the rate may change —

Mr. PECK: The rate changes every year. That is not an analogous case at all. Every thing changes as far as that is concerned. The price of bonds go up and down every day. Everything of that sort changes and lots of things affect values, but that cuts no figures here.

Mr. HALFHILL: Is it not a fact known to all that prior to 1905 municipal bonds found no sale in Ohio and were purchased outside of Ohio owing to that constitutional provision?

Mr. PECK: That is another provision and that is an argument against the other part which proposes to put those issued since on the tax duplicate.

Mr. HALFHILL: Is it not a fact that since the constitution has been changed that they have been advertised as an inviting form of security and have been brought back and are held here largely?

Mr. PECK: You can pick up any large daily in the state and you will find an advertisement of the bonds of this city at four per cent, nontaxable, and they have been sold that way. Talk about the holders of these bonds! I know one house in Cincinnati that sells \$10,000,000 of those bonds every year over the counter and they go right down into the stockings of the good old German women in Cincinnati.

Mr. THOMAS: I am willing to say there is not a quarter of one per cent of the bonds issued — no, not one ninety-ninth of the bonds that are issued that goes into the working men's stockings.

Mr. PECK: You don't know. Where are all these

Taxation.

big deposits in the savings bank that Mr. Doty talks about?

Mr. DOTY: They are the working men's.

Mr. PECK: The average deposit in the largest bank in Cleveland is less than \$500, I am informed, and there are over one hundred and five thousand depositors.

Mr. THOMAS: Well, who has it—who do you think have those bonds?

Mr. DOTY: You have. You have some. I am a plutocrat and have not any.

Mr. PECK: Their money is not in savings banks, but in municipal bonds.

Mr. ANDERSON: Is it not a fact that along about April—the latter part of March—the newspapers carry advertisements, columns of them, offering municipal bonds nontaxable for the sole purpose of permitting people who have personal property in shape to be taxed to get it in such shape as bonds so it escapes both ways?

Mr. PECK: I do not know about that.

Mr. ANDERSON: I have such an advertisement in my desk. Is it not also true that the bondholders send out letters along about that time—in fact, I have one of those in my desk, but I don't know why they ever sent it to me—asking the receivers of the letters to go in and take these nontaxable bonds and put up that which if kept by the individual would be taxed and in that way escape taxation both ways?

Mr. PECK: I do not know. The only place I have known that to occur much is with the nontaxable stock of Ohio.

Mr. HARRIS, of Hamilton: Is it not your recollection that a few years ago—this is to answer Mr. Thomas' reference to the laboring men—that a few years ago the city of Cincinnati offered nearly \$1,000,000 of water works bonds and the banks refused to buy them and the city of Cincinnati sold them over the counter in lots of \$250 and lots of \$500, to the amazement of the bondholders and brokers, and the laboring men of Cincinnati withdrew their money from the savings bank and bought that last issue of bonds over the counter?

Mr. THOMAS: Are all those working men that bought those bonds?

Mr. PECK: Nearly all of them were working men.

Mr. HARRIS, of Hamilton: Are you aware of the fact that Reid and Harrison have offered me \$175,000 of four and one-half bonds of the city of Youngstown, Ohio, stating that by reason of their nontaxability they could offer them at the magnificent rate of a little less than four per cent?

Mr. PECK: Yes; I know that.

Mr. HARRIS, of Hamilton: I want to ask the member of Mahoning if the city of Youngstown, Ohio, prior to this law ever issued or ever could sell any of its municipal bonds at less than five per cent? They have been offered to me within a week at about a three ninety-five basis because they are not subject to taxation, and the member from Mahoning is willing to tax his people in Youngstown that additional rate of interest when they can not get the equivalent in taxation.

Mr. ANDERSON: Reserve that question until I have the floor.

Mr. PECK: In reference to these bonds, a short time ago I advised a lady to buy \$3,500 worth of those bonds for the reason indicated. They are being bought all the

time in the city of Cincinnati. My friend from Cleveland boasted about the credit of his city. The city of Cincinnati is the only city in the United States that has sold municipal bonds at par at three per cent, and she has done it because of this law. If you repeal this law she could not come within one-half per cent of that, for until we had this law we never were able to sell bonds at three per cent.

Mr. ANDERSON: You saved that much then, but do you think it paid the state as a whole to provide millions and millions of dollars to permit those who want to escape paying taxes to do so? You understand it cuts both ways?

Mr. PECK: What do you mean by both ways?

Mr. ANDERSON: The banks pay so much taxes and the individuals go to the bank and deposit money and get the municipal bonds out and the holder of the municipal bonds does not have to pay taxes and the bank doesn't have to pay on the money.

Mr. PECK: Why not?

Mr. ANDERSON: The bank pays on its capital.

Mr. PECK: It pays on what it has.

Mr. ANDERSON: Do you mean to say the bank has to pay any more taxes providing the bonds are put into money?

Mr. DOTY: Certainly.

Mr. ANDERSON: Do you say they do?

Mr. DOTY: No—

Mr. ANDERSON: It provides an easy means of escaping paying taxes.

Mr. PECK: You can do that with any nontaxable security. You will have a good time getting the constitution adopted if you put this in, as sure as you are living.

Mr. PETTIT: Do you think the bondholders are going to rule the next election?

Mr. PECK: No, sir; but they are going to vote according to their interests, just as the farmers are going to vote according to their interests, and they have the right on their side this time. They have a right to insist upon the administration of law and insist upon justice.

Mr. JONES: One further question. You made a statement that these bonds sold for less since the amendment exempting them in 1905. Do you not know that here in the city of Columbus the public issues of bonds sold for less before that exemption than they have since at any time?

Mr. PECK: I have never heard of it.

Mr. JONES: That is a fact.

Mr. PECK: But I want to call attention to another fact, that about ten years ago there was a period when rates of interest in Ohio were very low.

Mr. DOTY: The same as rates of interest every where else.

Mr. PECK: Rates of interest were very low. I do not think they have ever been as low since. The city of Cincinnati refunded Cincinnati's debts at three and a half per cent and never has been able to do it since, and that is the time when the city of Columbus I suppose sold the low bonds and the market went back. In other words, the rate of interest is affected by other things than the law of taxation—the market price.

Mr. JONES: The rate of interest upon the issue of

Taxation.

bonds has not materially changed by reason of tax exemption.

Mr. PECK: Tax exemption has had more to do with the change of rate of interest on that class of security than anything else. Municipal bonds are bought as a permanent investment generally. The people expect to keep them. The person who buys them buys them to secure a permanent income and at the same time security. They calculate what they will get, and if they have calculated four per cent and have to pay two per cent taxes, their income would be reduced just as much.

Mr. JONES: If that is sound, would it not logically follow that there should be a difference in the price of municipal bonds in Ohio and of all other bonds equivalent to the tax rate, whereas there is only a fraction of one per cent difference in the rates?

Mr. PECK: You compare bonds of a good municipality in Ohio—any town of any size—with the rates of railroad bonds. There is no railroad in the country that can sell bonds much less than five per cent and the rate of interest they pay you will often cause their bonds to sell at about eighty-five while the municipal bonds are always par.

Mr. JONES: Do you know the price in Ohio of Boston and Chicago bonds as compared with Ohio bonds?

Mr. PECK: Are they just the same as Ohio bonds, nontaxable?

Mr. JONES: Under the law they are taxable.

Mr. PECK: Then there are not many of them in Ohio.

Mr. JONES: A great many, selling at substantially the same price as Ohio bonds.

Mr. PECK: I never knew any of them to be sold. Now I would like to say a few words without interruption. I have yielded to all the questions I want to. What caused me to break into this discussion was the attempt to put on the tax duplicate the bonds sold before 1905. The other proposition is to tax bonds hereafter issued, and that is a matter of policy. There is no question of justice or injustice. I submit to you that the people were wise and they knew a great deal more what they were doing when they voted for that exemption than a good many of you think they did. Do you believe that those six hundred thousand people who voted for that are all fools? If you do you are mistaken. They are not so easily fooled. Do you think the politicians could carry out any scheme when all the people in Ohio know about the scheme? The true policy is, and it is the policy adopted for all the large states in the Union, New York, Massachusetts and every large state—the plan is to exempt the bonds of state, municipalities and of the counties of the state from taxation, for they know the money comes back to the counties and municipalities and in that way to the people in the reduction of the interest rates they get. The rates of interest they have to pay are that much less. The people of Guernsey county will be taxed that much less on the bonds issued by Guernsey county and any other county in the state is in the same boat. Mahoning county has an issue of \$2,000,000 of bonds for building a court house, and if she has to do a thing like that again will find she can get a higher rate for bonds and will have that much less to pay if they are exempt from taxation. She can sell

them at three or three and a half per cent, whereas she could not sell them at less than five per cent before. That is opening an investment to our own people that you are shutting out by adopting the proposal that bonds shall not be exempt from taxation in this state, and you are forcing the bonds of the state of Ohio to be sold outside and the bond market of Cleveland and Cincinnati will not be regulated as it is now by our own cities and towns, but it will be regulated in New York and Boston, and the bonds will go there for a market and you will never reach them for any purpose of taxation. You will lose the benefit you would get in the reduced rates and you will get no taxes on the bonds. That is what your proposition will come to. This other way you get a sure benefit as against a doubtful claim that can not be enforced. In fact, you say the bonds are not taxed even at home, that there are some people who buy and hide them but they can not be traced, that the only way you can find out about the bonds is that the coupons regularly appear in the bank for collection and the bank presents them to the sinking fund. Who owns them the bankers don't know. Brother Jones would not know where he got them if he went to the sinking fund with the coupons. That is all you can find out about the bonds. Coupons come in with great regularity and you do not know where the bonds are. They disappear as quickly as water thrown on the sand. I think I have taken up too much time and said more than I intended, but I feel some interest in the discussion because it is one upon which I happen to be incidentally tolerably well informed. The line of practice which I have had for years past has thrown me in contact with this question of municipal bonds a good deal, and I have seen a great deal of it, and when I make a statement about these things I know what I am talking about. I know what the effect of this will be on Cleveland and Cincinnati when they propose to take advantage of this home rule proposal and sell their bonds to buy parks, boulevards and provide playgrounds. I know they will have to pay higher rates if you pass this measure. The amendment is perfectly vicious and I hope it will be voted down.

Mr. DWYER: Is it not a fact that when the bonds were issued subject to tax they were not purchased in the home market and the state got no tax from them?

Mr. PECK: That is true.

Mr. DWYER: I would like any gentleman here to show me where the bonds were ever returned for taxation that were sold subject to tax?

Mr. PECK: The bonds were bought by brokers who acted for other parties and they generally went right out of the state into the eastern market. The bonds of Cleveland and Cincinnati and Youngstown—the bonds of any good thriving town in the state—find a ready market anywhere in the East, because there is nothing safer than a municipal bond. The town can not break or run away.

Mr. DWYER: Is it not a fact that when the bonds were subject to taxation the city didn't get as good price for the bonds as now?

Mr. PECK: That is exactly what I was saying.

Mr. DWYER: And if they get a low price now doesn't the public get the benefit?

Mr. PECK: Yes.

Taxation.

Mr. DWYER: In the other case the public got no revenue from the bonds at all?

Mr. PECK: Yes; that is right. They get benefit two ways now.

Mr. PRESIDENT: Will the gentleman yield?

Mr. PECK: No, I decline to yield. They get the benefit in two ways. The first is in the sale of the bonds. The cities and towns get a higher price. The second is that they can sell at a lower rate of interest, and that is a yearly benefit running on and is fully equal to the amount in taxes, and nine times out of ten exceeds the amount of taxes that you would ever get on those bonds.

Mr. WATSON: I do not wish to be too inquisitorial, but I realize we are all creatures of environment and I want to ask this question: Do you own any bonds?

Mr. PECK: No, sir.

Mr. WATSON: Are you attorney for any bond brokers?

Mr. PECK: I have been. I am not now. I am not the attorney of anybody when I am here. And you can just put that down in your pipe. Old Peck is here for the people of Ohio and nobody else. I have represented corporations, individuals, bondbrokers, bankers, farmers, and I have represented women, children and every other class in the community, but I do not represent anybody here but all classes. My office is open to anybody who has a legitimate claim and a fee. They can come to me right along. This is no joking matter. This matter is one of importance to the state of Ohio and to the welfare of the people of the state generally. This amendment is an outrageous piece of injustice, if adopted, and the original proposal ought to have the provision in it that is in the constitutional amendment of 1905, which is a wise provision. It is the provision that every great financial community has adopted and they have found it to be wise. This is a reactionary policy that goes the other way. In order to show my good faith about the Mauck amendment I move that it be tabled.

Mr. MAUCK: And on that I demand the yeas and nays.

The yeas and nays were taken, and resulted—yeas 69, nays 38, as follows:

Those who voted in the affirmative are:

Antrim,	Hahn,	Miller, Crawford,
Beyer,	Halenkamp,	Miller, Ottawa,
Bowdle,	Halfhill,	Norris,
Brattain,	Harris, Ashtabula,	Nye,
Brown, Lucas,	Harris, Hamilton,	Peck,
Campbell,	Harter, Stark,	Peters,
Cassidy,	Hoffman,	Pierce,
Colton,	Holtz,	Redington,
Cordes,	Hoskins,	Rockel,
Crosser,	Johnson, Williams,	Roehm,
DeFrees,	Kehoe,	Rorick,
Doty,	Kerr,	Shaffer,
Dunlap,	Kilpatrick,	Smith, Geauga,
Dwyer,	Knight,	Stalter,
Earnhart,	Kramer,	Stamm,
Elson,	Lampson,	Stilwell,
Evans,	Leete,	Taggart,
Fackler,	Leslie,	Ulmer,
Farnsworth,	Longstreth,	Wagner,
Ferrell,	Malin,	Weybrecht,
Fess,	Marshall,	Winn,
Fluke,	Matthews,	Wise,
Fox,	McClelland,	Woods.

Those who voted in the negative are:

Baum,	Hursh,	Price,
Beatty, Morrow,	Johnson, Madison,	Riley,
Beatty, Wood,	Jones,	Shaw,
Brown, Pike,	Keller,	Soletcher,
Cody,	Kunkel,	Stalter,
Collett,	Lambert,	Stevens,
Crites,	Ludey,	Stewart,
Donahey,	Mauck,	Tannehill,
Dunn,	Miller, Fairfield,	Tetlow,
Eby,	Moore,	Thomas,
FitzSimons,	Okey,	Walker,
Harbarger,	Partington,	Watson.
Henderson,	Pettit,	

So the motion to table was carried.

Mr. EVANS: I offer a substitute for the proposal itself.

The substitute was read as follows:

Strike out all after line 4 and all pending amendments and substitute the following:

SECTION 1. The general assembly shall levy and collect taxes in such manner as it may deem proper, but all taxes shall be just to the subject taxed, and in each and every class of subjects, the burdens shall be laid equally, according to the same rule.

SECTION 2. All property of the United States, the state, cities, counties, townships and the public schools, and the bonds or obligations of these bodies 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 as shall be deemed best for the public good.

Mr. EVANS: I have thought that this is the best measure that can be adopted by this Convention on this subject. This is the result of forty years of study of the subject of taxation, and when I began that study I did it with an open mind. I had no preconceived notions or ideas. I did not represent any particular school of thought; but taxation is the most important power of government. It includes all other powers. Give me the power to tax and I will control a state. Consequently if we have any use for the legislature we must trust it; it must represent the people; we must leave the subject to it. The taxation of property is the most important subject to the people. When we touch the pocket-book nerve of the people of Ohio we touch the most sensitive nerve of the whole body politic, and if you make a mistake in framing this constitution on the subject of taxation it will be rejected on that ground, no matter about all the other provisions. Now you are right at the Rubicon. You are ready to cross. Are you going to stay in your province of Gaul, or are you going to cross and make war on Rome? I tell you if you adopt this minority report you will cross the Rubicon, but you will have a different fate from that of Caesar. Caesar conquered Rome, but this will be different from that. Rome will conquer Caesar. This is a proper thing to leave to the legislature and let us do as they did from 1802 to 1851. The legislature declared as to each particular class of property that it should be taxed or should not be, and when they declared it should be taxed they fixed the

Taxation—Reports of Standing Committees.

rate, and that is the only way you can have it done. If the legislature happens to make a mistake, if they happen to put too great a tax on any subject, there is a provision by which the owners of the property that belong to that class can appeal to the court and declare the tax unjust. What else can you want? I predict if my proposition could be adopted it would be the best thing that ever happened for the state of Ohio. If we attempt to tax public bonds we will not get any tax on them. It never can be collected. It would be an effort to enforce something that we could not carry out. I will tell you we have exempted public bonds in Ohio, but we made one mistake. We didn't exempt the same class of bonds of other states. If the citizen is allowed to own Ohio public bonds free of taxes he ought to be allowed to own bonds of the same class of other states free of taxes, and he ought not to be penalized because he buys municipal bonds of Indiana, Ohio or Pennsylvania. Let us consider right in this matter. It is a simple question of dollars and cents. Take a common school district and say the bonds are taxable, and that district will have to pay seven or eight per cent, and the bonds will be owned right there in the neighborhood, but they will be in hiding. The creditor will make the extra interest and you will put it in his pocket. Take the tax off and the state or municipalities can sell the bonds at four or five per cent. They usually run twenty or thirty years and just calculate what the difference in this amounts to. The public pays that if you undertake to tax the bonds, and the public will pay the extra interest but will never get anything back in the way of taxation. The bondholders will get it all and you can not prevent it. There is no use in undertaking to legislate in this fundamental law against human nature or against economic laws. Your tax boards in this state can give all the instructions they wish to the assessor, but it is folly; they can not enforce the law. If the people believe a system is unjust, they will not return their property and you can not make them. The thing to do is to exercise a little common sense and recognize human nature as it is, and the principles of economics.

I say to you that this minority proposition, as well as the majority, undertakes to legislate against economic laws and against human nature, and whenever that is done, it will be a failure every time. Try to do something you can do, and refrain from the folly of attempting to do what you cannot do. You have been trying for sixty-one years to do something you can not do, and if you should be so unfortunate as to adopt either of these reports in sixty-one years from now the measure will be as great a failure as it is today. I do hope for the credit of the state of Ohio, my native state, of which I am very proud, that we shall not disgrace it by undertaking to adopt either of these reports and place in the organic law a provision against economic law and against human nature that can never be enforced.

Mr. HARRIS, of Hamilton, was here recognized.

Mr. DOTY: Will the gentleman yield for a motion to recess?

Mr. HARRIS, of Hamilton: Not quite yet. I am very glad that the three amendments, the minority report, the Anderson substitute and the Evans substitute, are before the Convention, because those three propositions embody the entire question and will give us a

chance to debate the entire question from every point of view. Now I yield for a motion to recess.

Mr. DOTY: I move that we recess until this afternoon.

The motion was carried and the Convention recessed until 1:30 o'clock p. m.

AFTERNOON SESSION.

The Convention met pursuant to recess.

Mr. DOTY: I demand a call of the Convention.

The PRESIDENT: A call of the Convention is demanded. The sergeant-at-arms will close the doors and the secretary will call the roll.

The roll was called when the following members failed to answer to their names:

Brown, Highland,	King,	Read,
Brown, Lucas,	Kramer,	Shaw,
Cunningham,	Marriott,	Smith, Hamilton,
Eby,	Miller, Crawford,	Stamm,
Farrell,	Miller, Fairfield,	Stokes,
Fox,	Norris,	Tallman,
Harter, Huron,	Price,	Worthington.

The president announced that ninety-eight members had answered to their names.

Mr. DOTY: I move that all further proceedings under the call be dispensed with.

The motion was carried.

Mr. DOTY: I move that further consideration of Proposal No. 170 be postponed for five minutes.

The motion was carried.

By unanimous consent Mr. Hoskins submitted the following report:

The standing committee on Corporations other than Municipal, to which was referred Proposal No. 328 — Mr. Woods, having had the same under consideration, reports it back and recommends its indefinite postponement.

The report was agreed to.

Mr. Hoskins submitted the following report:

The standing committee on Corporations other than Municipal, to which was referred Proposal No. 319 — Mr. Okey, having had the same under consideration, reports it back and recommends its indefinite postponement.

The report was agreed to.

Mr. Hoskins submitted the following report:

The standing committee on Corporations other than Municipal, to which was referred Proposal No. 51 — Mr. Miller, of Crawford, having had the same under consideration, reports it back with the following amendment, and recommends its passage when so amended:

At the end of proposal add:

"The general assembly may provide by law for the regulation of all rates charged or to be charged by any insurance company, corporation or associa-

Reports of Standing Committees, Etc.—Taxation.

tion organized under the laws of this state or doing any insurance business in the state.”

S. A. HOSKINS,	H. K. SMITH,
JOHN C. RORICK,	AARON HAHN,
W. W. STOKES,	E. A. PETERS,
HUMPHREY JONES,	HENRY E. EBY,
ROSCOE J. MAUCK,	HENRY F. CORDES.

Mr. Stilwell submitted the following report:

The minority of the standing committee on Corporations other than Municipal, to which was referred Proposal No. 51 — Mr. Miller, of Crawford, having had the same under consideration, submits the following minority report, and recommends that the same be substituted for the majority report:

Strike out all after the title and insert in lieu thereof the following:

“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 VIII.

SECTION 6. The general assembly shall never authorize any county, city, town or township, by vote of its citizens, or otherwise, to become a stockholder in any joint stock company, corporation, or association whatever; or to raise money for, or to loan its credit to, or in aid of any such company, corporation, or association.

The general assembly may provide by law for the regulation of all rates charged or to be charged by any insurance company, corporation or association organized under the laws of this state or doing any insurance business in this state.

Provided, however, that the general assembly may establish and maintain a bureau of insurance for the purpose of furnishing fire, life, accident or other insurance to the citizens of the state, and provided further, that nothing in this section shall prevent public buildings or property being insured in mutual fire insurance associations or companies.”

S. S. STILWELL,	JOHN C. HOFFMAN,
W. B. KILPATRICK,	HENRY E. EBY,
H. K. SMITH,	J. M. EARNHART.
DAVID PIERCE,	

Mr. Doty moved that further consideration of the proposal be postponed until tomorrow and that it be placed on the calendar for that day.

The motion was carried.

Mr. DOTY: I move that those reports be printed in the meantime.

The motion was carried.

By unanimous consent Mr. Cassidy offered the following resolution:

Resolution No. 115:

Resolved, That the following bills which have been filed with the secretary of this Convention be allowed and ordered paid:

The Beggs Co., labor.....	\$11 00
Central Union Telephone Co., toll.....	146 45
Columbus Citizens Telephone Co., toll and rental	134 20
The Crystal Ice Mfg. & Cold Storage Co., water	37 00
The F. J. Heer Printing Co., printing..	517 10
The Lowe Bros. Machine Works, labor..	1 00
Remington Typewriter Co., rental.....	25 50
A. Rosnagle & Co., supplies.....	14 00
E. H. Sell & Co., rental.....	4 50
A. H. Smythe, supplies.....	5 40
Fred H. Tibetts, printing.....	2 50
The J. L. Trauger Printing Co., printing and supplies	678 40
Underwood Typewriter Co., rental....	35 50
J. M. & W. Westwater, supplies.....	5 75
George F. Jelleff, labor and supplies....	7 90

On motion of Mr. Doty, the resolution was referred to the committee on Claims Against the Convention.

Mr. Lampson offered the following resolution:

Resolution No. 116:

Resolved, That the following bills against the Convention be allowed and ordered paid.

Andrew Earl, supplies	\$17 40
T. J. Dundon & Co., supplies and hauling	5 00

On motion of Mr. Doty, the resolution was referred to the committee on Claims Against the Convention.

The PRESIDENT: The question before the house is Proposal No. 170 and the vote will be first upon the substitute offered by the delegate from Scioto [Mr. EVANS].

Mr. Harris, of Hamilton, having yielded the floor for a motion to recess, was recognized by the president.

Mr. HARRIS, of Hamilton: Mr. President and Fellow Delegates: If there be one time in the course of our deliberations where it is proper that we should bear in mind the wise old adage “Come, let us reason together”, that time is now. We are discussing a subject which affects the weal or woe of five million people now living in the state of Ohio. Passion and prejudice and oratory should have no place in our deliberations.

I am in favor of classification and I advocate it after the most thorough consideration of the subject for the past ten years, and because I find it advocated by the greatest political economists of the world. The United States boasts the proud distinction of having wrested from England and from Germany the authority in matters of political economy. There are two men in the United States who are recognized by political economists of Great Britain, Germany, France, Austria, Russia, Italy and Spain as the greatest living authorities on political economy. Those men advocate and urge in their published writings the classification of property for the commonwealths of the United States. They are Professor Seligman, of Columbia University, and Professor Taussig, of Harvard University, and I shall stop for a moment and ask Doctor Colton as president of Hiram College —

Mr. COLTON: Not president.

Mr. HARRIS, of Hamilton: Well, as connected with Hiram College—whether he does or does not recog-

Taxation.

nize the supremacy in matters of political economy of the men whom I have named?

Mr. COLTON: They are very prominent.

Mr. HARRIS, of Hamilton: I shall ask Doctor Colton another question: Do you know of any political economist in America of accepted authority who in the past thirty or forty years advocated publicly in his writings any thing but classification together with income and inheritance taxes? If so, will you please name the man for my information, so I can make a study of his writing?

Mr. COLTON: I will say in answer to the gentleman's inquiry, as far as condemning the general property tax, what the gentleman states is true. You will find nearly all of the authorities on his side. I am not ready, however, to say that they all commend classification. Some of them do. I can not name the authorities who advocate certain substitutes for personal property tax which would not fall under the head of classification.

Mr. HARRIS, of Hamilton: Now, members of the Convention, I call your attention here to a list of the states of the United States which have adopted classification. It is the only memorandum I have. It was compiled by Judge Worthington for the benefit of the committee on Taxation from Thorpe's Constitutions, 1910. I give the states and the times since which they have had classification: Vermont, 1877; Rhode Island, 1876; Virginia, 1902; Colorado, 1876; Connecticut, 1776; Delaware, 1776; Georgia, 1877; Idaho, 1899; Iowa, 1846; Maryland, 1776; Massachusetts, 1776; Michigan, 1909; Minnesota, 1906; Missouri, 1820; New Hampshire, 1776; New York, 1776; Oklahoma, 1907; Pennsylvania, 1776; Arizona, 1912.

Gentlemen, in that list you will notice particularly the three great states of New York, Massachusetts and Pennsylvania. Side by side you notice also all of the great progressive states of the Northwest that have recently held constitutional conventions. With the experience of one hundred and forty years before them, they have discarded the uniform rule of taxation and adopted the classification of property tax. I ask the laboring men in this Convention to what states they look for the most advanced legislation in labor matters. The answer will be New York, Massachusetts and Pennsylvania. I ask those who are familiar with insurance and banking, to what states they look for the most advanced legislation on those subjects, and their answer will be New York, Massachusetts and Pennsylvania. In recent years Wisconsin, Minnesota, Michigan and other states have been added to that proud list.

The opposition to classification is fear and prejudice. Prejudice and fear are the only two reasons for the opposition to classification. Classification aims to do that which those who fear and those who are prejudiced against it think will not be done. The basis of their opposition to it is the very thing which classification aims at overcoming. Classification aims primarily at the element of human nature. Classification aims to get taxation on certain forms of property which the experience of fifty years has demonstrated can not be gotten by a uniform rule of taxation. A classification tax says that the bonds of a municipality, corporation bonds if you will under the uniform rule of taxation on intangible personal property escape taxation because human nature is greater than any statute. The uniform rule applies such a high

rate on the income that the holder seeks every means to escape it. We are not dealing now with the morality of the question. Taxation is a practical concrete proposition. The present rate is fifteen mills in the city of Cincinnati. Why is that rate to a certain extent so great apparently that it induces the holders of bonds other than municipal—which latter are exempt from taxation, but high-grade railroad bonds bringing in four per cent or three and three-quarters—why is that rate of fifteen mills so great as to prevent the listing of the bonds? That is a question of mathematics. Let us determine it by mathematics.

Ten thousand dollars of four per cent bonds bring in an income of \$400. Now the uniform rule of taxation at present existing in the state of Ohio, subjects those \$10,000 of bonds to taxation in the city of Cincinnati at the rate of fifteen mills, so that the amount of the tax would be \$150; \$150 is about thirty-seven and a half per cent of the total income. Do you know why such securities evade the tax gatherer? Simply because you are taxing the thing itself and not the income. It is taking under our present law thirty-seven and a half per cent of the income. Human nature says we will not pay thirty-seven and a half per cent of the income; first, because we can not afford to do it and second because we consider it unjust and immoral; we find that merchandise that is paying \$150 on \$10,000 is earning fifteen to twenty-five per cent—at least fifteen per cent—and the comparison between the percentages of taxation on the incomes of the two classes of property and the burden is so great on the owner of the bonds that he does not list them.

You answer and say, "But the law is there." The law and the machinery with which to execute the law are both there. That is true, but have not the law and the officers of the law and the machinery of the law been there for sixty years? Have we not had tax inquisitors always with us who were given as much as twenty-five to fifty per cent of the amount of back taxes collected, as a fee? And how much of this property has come out? Do you mean to say here that this body or any body that succeeds it as a legislature will so change human nature that they will be able to make better laws and find better officers and better machinery than have been found in the past sixty years? Do you not know that this is ridiculous? That is why we favor classification. We take that same element of human nature and we say that we will put these bonds in a special class by themselves and charge five mills instead of fifteen and make the penalty for failure to list very heavy. That same element of human nature which refuses to pay thirty-seven and one-half per cent of its income will say, "I will pay ten per cent of my income on those bonds."

Mr. WATSON: Will you yield?

Mr. HARRIS, of Hamilton: No, sir; I have not any notes and I am speaking simply "on my feet," and I prefer not to be interrupted. The average man will pay ten per cent of his income from his bonds. The average man wants to pay taxes and only refuses to pay when you compel him to consider the elements of self-preservation. And so classification runs on through. It aims to put certain lines of property in certain classes at lower or higher rates, according to the ability of the tax-gatherer to collect the lower or higher rate. In every

Taxation.

instance in which it has been tried, for we are not sailing on uncharted seas, it has proved remarkably successful. As I answered an inquiry the other day, I will give you again this concrete illustration, and it could be multiplied a thousand times. Some years ago the legislature of Maryland permitted its city to adopt classification, and the statements I am going to give you are from a printed pamphlet furnished to the committee on Taxation and read by me to the committee at one of its meetings. I am charging my mind with the results of those investigations. It was incorporated in a report from the Kentucky committee on taxation made to the governor and the legislature of Kentucky imploring the state of Kentucky to adopt classification. The city of Baltimore in about 1896, before the classification of property was permitted, returned in personal property about \$5,000,000. The rate was about three per cent and the revenue was about \$150,000. In 1906 the statement gave the increase in every year during ten years, including the year of the great fire, in which there was a slight falling off of \$4,000,000 or \$5,000,000. In the year 1906 people of the city of Baltimore returned \$150,000,000 of personal property for taxation and the city of Baltimore received something like \$450,000 of revenue therefrom. Last spring the legislature of New York enacted a law stating in substance that the holders of certain classes of bonds, which at that time were not exempt from taxation, could, upon delivering them to the state treasurer at Albany and paying a tax of one-half of one per cent, have the bonds stamped declaring the bonds thereafter were forever exempted from taxation. I wrote to my banker in New York and asked him to get from the state comptroller of New York concrete results of the operation of that law. I read the letter in question to the committee on Taxation and now give you the substance of it so far as my memory carries it. The comptroller wrote that the law became operative September 1, 1911, and in the four months of September, October, November and December, there had been surrendered to the comptroller at Albany \$300,000,000 of those bonds on which a tax of one-half of one per cent was paid and which theretofore had not paid anything, although subject to taxation. It is computed that within eighteen to twenty-four months from the operation of the law, taking again into consideration that element of human nature which controls all our actions (fear on the part of the holders whether the law would stand and wanting to see how it operated, to see that there was no trick in it), that there will probably be two billions of bonds returned to the comptroller for taxation. That is the theory of classification. It is not to help the rich man, as you believe. It is advocated by the greatest political economists of our times as a distinct step in advance toward a practical solution of a question that would otherwise seem to be unsolvable.

Now I want to take up with you the question of exempting municipal bonds from taxation. There is no question before you which ought to receive from you more serious consideration, and that ought to appeal to people coming from the small villages or small communities so much more strongly than from the large communities. I know from practical experience that prior to the time when municipal bonds were exempt

from taxation the small villages were fortunate when they floated their bonds at par bearing six per cent interest. Every inhabitant in that small village contributed his share toward that six per cent of interest that went on day and night. The small place was at the mercy to a certain extent of the bond buyer, because its bonds have no general market. They can not be sold in New York or Pennsylvania or Massachusetts. They can only be sold in Ohio communities and they were subject to taxation by reason of which these small places were heavily burdened. The result, as all of you know who have had any practical experience at all, was that it was extremely rare for any small community of five thousand or less to float their bonds under six per cent interest. The exception only proved the rule. The moment the ban of taxation was lifted conditions radically changed, and bear in mind always that neither the state nor the county nor the municipality got any of that tax because the bonds were not listed for taxation; it was a burden placed upon the community by the buyers of the bonds. They charged for the risk taken by them in concealing the bonds from the tax officials. Now the moment the law was passed exempting the bonds of all municipalities from taxation, those of us who had anything at all to do with municipal and county bonds noticed immediately a drop from six per cent to five per cent in the bonds of the smaller communities and at times as low as four and a half per cent. Why? Because then the small community was not at the mercy of the bond buyer. The neighboring farmer who had \$500 or \$1,000, or the laboring man who had \$500 or \$1,000, or any other person in the community with money, bought those bonds. The bonds could be sold in the immediate neighborhood where the financial strength and character of that particularly small community were well understood. The people knew they were safe, they knew they were taking no risk, whether it was a city of five thousand or of three thousand or of one thousand. It made no difference. Those bonds are almost universally held by the farmers and small investors in the small community.

Now what practical advantage will you gain by making municipal bonds subject to taxation? Assuming for the sake of argument, and I only do it for the sake of argument, that you will get some of that interest back in the form of taxes, the amount received will be very small as compared to the additional amount by reason of the increased rate of taxation you will pay annually. As a practical proposition it amazes me that this question should receive any serious consideration in this Convention. I can not figure out the mental reasoning that goes on. We know what has been the experience in the past and it is safe to predicate the future on the known conditions of the past. We know what will happen as to the larger municipalities, Cincinnati, Cleveland, Dayton, Youngstown, etc. The bonds of half a dozen of the large municipalities have a market outside of the state. Cincinnati will sell its bonds as it has done for the past thirty-five years. We have a magnificent market in New York city. Millions and millions of our bonds issued for the construction of the Southern Railway Company were held by the savings banks of New York city and other cities in the state of New York. I remember that one large bank held one registered bond

Taxation.

for about \$800,000. Another bank in New York held one of our registered bonds for \$1,200,000. Registering a bond simply means the surrender of the bond with coupons attached and delivery of a non-coupon bearing registered bond in lieu thereof. It means generally that the owner is going to hold these bonds from time of purchase until maturity. Such registered bonds are generally part of the fixed investments of the savings bank.

The moment municipal bonds are made subject to taxation the bond buyers of New York are the great gainers. They say that they can not sell any of those bonds in Ohio because they are subject to tax, and having lost one of their best markets, those bonds, instead of selling at four per cent and at a fine premium, will have to be sold for four and one-half to five per cent, and the municipality will be lucky if it can float its bonds at par at four and one-half per cent. Now where is the good business judgment shown by such methods? Does it take any great financier to show you the absurdity of making municipal bonds the subject of taxation? Is it not a plain, every-day, common-sense transaction?

Remove your prejudice and look at it calmly. Any banker or broker you may speak to will tell you exactly what I am telling you, and I am speaking from ten years of official life in Cincinnati in that particular department concerned in maintaining the city's credit. The general proposition that the community should tax itself is so ridiculous that to state it is simply to cause its defeat. Have you considered, gentlemen, that this Convention has just authorized the state of Ohio to issue \$50,000,000 of bonds for the construction of good roads? Now you will pay the interest on those bonds, and yet have you considered for one moment the idea of increasing your own taxes for the purpose of giving an advantage to New York bankers who will buy the bonds of the state of Ohio that are so gilt-edged, but knowing they would not have the general market of the state of Ohio the moment they are taxed, they will penalize the state of Ohio? I make the statement here, and I believe it to be absolutely correct and have no fear that time will not justify it, that if you do not commit the unpardonable crime of making municipal, county and state bonds subject to taxation, there will be no difficulty at all in selling at par the \$50,000,000 of bonds of the state of Ohio issued at three and a half per cent, and possibly at a premium, for I say to you that the great bankers of France and England, some of the great continental financiers, will take part of those bonds. That is where part of them will eventually be held. That is how high the credit of the state of Ohio stands. Several millions of bonds issued by the city of Cincinnati for the construction of its Southern Railway were sold in the city of London and were held there for forty years, until their maturity, and one of the conditions named in that particular issue of bonds was that they should be payable in pounds sterling as well as dollars, and the bonds came back to us from the city of London; they had never left the bank to which they were originally sold forty years ago.

Now, gentlemen, there is another subject on which I wish to speak that it pains me to speak about, and in order that my words may not be misunderstood I here and now publicly state that I do not hold any member

of the minority committee responsible for knowledge of the conditions which I shall now disclose. I distinctly exonerate them from any known participation in the outrage that is attempted to be foisted on this Convention.

A few days ago one hundred and four members of this Convention declared for home rule. To one who has been a student of history to some extent, I noticed the historical significance that in 1912 an empire that the greatness of Rome in all its glory never equaled had finally determined to do justice, and had given home rule to Ireland. I thought it more than a coincidence that in the same year and almost the same month, our municipalities in Ohio, from the smallest village to the largest city, were being freed and delivered from the thralldom of state control and were being given home rule. So did I and so did every one of you. It never entered your minds for a moment that instead of being given home rule, home rule was being taken from you stealthily and cunningly by those whom you supposed were its friends. I saw the minority members of my sister committee on Taxation offering to this Convention its substitute proposal and I studied it, and I was shocked when I discovered that without their knowledge, without a thought of the iniquity being practiced and in their gullibility, they had permitted the corporations which owned the private utilities that are throttling our cities to cunningly get in their work. The minority report on taxation stood with its right hand extended with palm upward in a brotherly fashion to the committee on Municipal Government, but with its left hand around the neck in what we supposed was a friendly embrace, but was instead in the act of sticking a stiletto under the fourth rib. Now how did they do it? Read section 7.

The minority did not know what they were doing. No, gentlemen, you thought that public utilities were going to be given you. You naturally believed that you had in your power the ability to own and operate and construct public utilities in you own villages and cities. Of course, it occurred to you that it required money to do this, but the privately owned utilities would have destroyed you. They have limited by constitutional law—think how cunning it was, how well thought out, all for the protection of the people they said and in order that the people could not get too much money—they have limited the power of bond issues and debt to four per cent of the tax duplicate in the cities. With that limitation you will never own any public utilities. Today the limit under the referendum vote is five per cent. The difference of the one per cent in the city of Cincinnati is \$5,000,000, because our tax duplicate is \$507,000,000. In the city of Cleveland it is about \$7,000,000, because its tax duplicate is about \$700,000,000. If we in the larger cities or you in the smaller cities, because the proportion relatively is just the same, want to own, construct or operate our public utilities, and we found that the five per cent limit would not enable us to do so, we would go to the legislature and ask for that which was carefully preserved by your committee on Municipal Government, namely, for a special law to enable that particular municipality to increase its debt limit to eight per cent, and, if necessary to spend \$10,000,000 or \$20,000,000 in a manner most profitable to the municipality because then they would be exclusively general bonds, not special bonds, based on franchise and the

Taxation.

utility, and the legislature would enact that special law, then the particular municipality, whether a city of six hundred thousand or six hundred, could determine for itself if it wanted to avail itself of this special law. But section 7 cunningly provides by a constitutional enactment that you can not do that. Remember a legislative enactment is quite a different proposition. You could change that at any session of the legislature whenever the demand was strong enough, but a constitutional provision is not so easily changed. And so in the house of its friends, in the midst of our rejoicing, when all through the state everybody was of the opinion that municipalities had finally obtained home rule, the minority report of the committee on Taxation, with the sneer of Mephistopheles takes it away from us. Of course, I am aware that no single member of that committee knew anything about it. Of course not, or it would not appear there, but I know a little better than some of those gentlemen do, the underground conduits through which corporations work. A chance conversation with Mr. Smith or Mr. James, who may or may not be a member of this Convention, or one of the Convention who may be innocent of any complicity, admits a suggestion from an outside source and it seems good. My very blood boils with indignation when I think that after all these years of servitude, when the Ohio municipalities thought they had stricken off their shackles, we find in the taxation proposal a carefully worded phrase which would rivet the shackles stronger than they were before—and our humiliation and destruction had come to us from within the house of its friends.

Mr. KNIGHT: I want to offer an amendment.

Mr. DOTY: At the present time an amendment would not be in order, but I would like to withdraw the amendment I have pending so the gentleman can offer his amendment.

The PRESIDENT: Without objection the amendment of the gentleman from Cuyahoga [Mr. DOTY] is withdrawn.

Mr. KNIGHT: I now offer the following amendment—

Mr. WOODS: I object to the withdrawal of that amendment of the member from Cuyahoga. I do not think one member has the right to withdraw an amendment.

The amendment offered by Mr. Knight was read as follows:

Amend the amendment of Mr. Evans to Proposal No. 170 as follows: After the word "taxed" and before the period insert "unless such taxation shall be authorized by general laws."

Mr. WOODS: I want to know whether a member of this Convention has not a right to object to the withdrawal of an amendment that is before the Convention?

The PRESIDENT: Will the member quote the rule on the subject?

Mr. WOODS: I move that the pending amendment and the amendment to the amendment be laid on the table, and on that I demand the yeas and nays.

The yeas and nays were taken, and resulted—yeas 64, nays 42, as follows:

Those who voted in the affirmative are:

Anderson,	Holtz,	Partington,
Baum,	Hursh,	Peters,
Beatty, Morrow,	Johnson, Madison,	Pettit,
Beatty, Wood,	Jones,	Pierce,
Beyer,	Kehoe,	Price,
Brattain,	Keller,	Riley,
Brown, Pike,	Kramer,	Rockel,
Cassidy,	Kunkel,	Shaw,
Cody,	Lambert,	Solesher,
Collett,	Lampson,	Stalter,
Colton,	Longstreth,	Stevens,
Crites,	Ludey,	Stewart,
DeFrees,	Mauck,	Stokes,
Donahay,	McClelland,	Tannehill,
Dunn,	Miller, Crawford,	Tetlow,
Dwyer,	Miller, Fairfield,	Wagner,
Earnhart,	Miller, Ottawa,	Walker,
Eby,	Moore,	Watson,
Fluke,	Norris,	Winn,
Harbarger,	Nye,	Wise,
Harris, Ashtabula,	Okey,	Woods.
Henderson,		

Those who voted in the negative are:

Bowdle,	Halfhill,	Peck,
Cordes,	Harris, Hamilton,	Read,
Crosser,	Harter, Stark,	Readington,
Cunningham,	Hoffman,	Roehm,
Davio,	Hoskins,	Rorick,
Doty,	Johnson, Williams,	Shaffer,
Dunlap,	Kerr,	Smith, Geauga,
Evans,	Kilpatrick,*	Stamm,
Fackler,	Knight,	Stilwell,
Farrell,	Leete,	Taggart,
FitzSimons,	Leslie,	Thomas,
Fox,	Malin,	Ulmer,
Hahn,	Marshall,	Weybrecht,
Halenkamp,	Matthews,	Mr. President.

So the motion to table was carried.

Mr. DOTY: I move that Proposal No. 170 and pending amendment be laid on the table.

The PRESIDENT: This is a motion to lay the whole subject of taxation on the table.

The yeas and nays being regularly demanded, were taken, and resulted—yeas 32, nays 75, as follows:

Those who voted in the affirmative are:

Beatty, Wood,	FitzSimons,	Leslie,
Bowdle,	Fox,	Malin,
Brown, Lucas,	Hahn,	Matthews,
Cordes,	Halenkamp,	Redington,
Crosser,	Harris, Hamilton,	Roehm,
Davio,	Harter, Stark,	Shaffer,
Donahay,	Hoffman,	Solesher,
Doty,	Hoskins,	Taggart,
Evans,	Kilpatrick,	Weybrecht,
Fackler,	Knight,	Mr. President.
Farrell,	Leete,	

Those who voted in the negative are:

Anderson,	Dwyer,	Keller,
Baum,	Earnhart,	Kerr,
Beatty, Morrow,	Eby,	Kramer,
Beyer,	Fess,	Kunkel,
Brattain,	Fluke,	Lambert,
Brown, Pike,	Halfhill,	Lampson,
Cassidy,	Harbarger,	Longstreth,
Cody,	Harris, Ashtabula,	Ludey,
Collett,	Henderson,	Marshall,
Colton,	Holtz,	Mauck,
Crites,	Hursh,	McClelland,
Cunningham,	Johnson, Madison,	Miller, Crawford,
DeFrees,	Johnson, Williams,	Miller, Fairfield,
Dunlap,	Jones,	Miller, Ottawa,
Dunn,	Kehoe,	Moore,

Taxation.

Norris,	Riley,	Tannehill,
Nye,	Rockel,	Tetlow,
Okey,	Rorick,	Thomas,
Partington,	Shaw,	Ulmer,
Peck,	Smith, Geauga,	Wagner,
Peters,	Stalter,	Walker,
Pettit,	Stevens,	Watson,
Pierce,	Stewart,	Winn,
Price,	Stilwell,	Wise,
Read,	Stokes,	Woods.

So the motion to table was lost.

Mr. WINN: I desire to offer an amendment.

The amendment was read as follows:

At the end of the amendment offered by Mr. Anderson add the following to be known as section 9 of said article XII of the constitution:

SECTION 9. The maximum rate of taxes that may be levied for all purposes shall not in any year exceed ten mills on each dollar of the total value of all property, as listed and assessed for taxation, in any township, city, village, school district, or other taxing district. Additional levies, not exceeding in any year a maximum of five mills, for all purposes, on each dollar of the total value of all the property therein, as listed and assessed for taxation, in any taxing district, may be levied when such additional levies are authorized by a majority vote of the electors voting thereon at an election held for such purpose; but in no case shall the combined maximum rate of taxes for all purposes, levied in any year in any township, city, village, school district, or other taxing district, exceed fifteen mills on each dollar of the total value of all the property, as listed and assessed for taxation, in such district.

Mr. WINN: Gentlemen of the Convention: This amendment which I offer is taken from one of the paragraphs of the majority report. It differs from the minority report in that it contains no limitation as respects the amount of bonds that may be issued and outstanding by municipalities. In other words, the amendment attempts to do nothing more than limit the rate of taxation. The limitation of the rate of taxation is a proper subject for consideration by a constitutional convention. In nearly all of the states some limitations are made, and in my judgment the limitation of this amendment is the correct one.

Mr. ANDERSON: How do you figure that that is the correct one? What can you take as a basis for your figures? What figuring can demonstrate its correctness? Is not that very indefinite?

Mr. WINN: I want to say to the member that I prefer to discuss this in my own way, and when I am through I will have made it as plain as I am able to do why I think the limitation here is the correct one. Then I shall be glad to answer any question that is asked me.

When I was elected a member of the Convention, and when I came here, it was with an open mind as respects this question of classification of property. Twice within the last ten or fifteen years we have voted for a constitutional amendment authorizing the classification of property, and if my memory is not at fault I voted both times in favor of the proposed amendment. I believed in it because I thought there existed some good reason

for the classification. I came to this Convention hall one night to hear several experts discuss the question and I came with an open mind, expecting that before they concluded their remarks I would be convinced they were right. But much to my surprise, I found myself, as the argument progressed, taking the other side of the proposition, and when those men had concluded what they had to offer in favor of classification I was altogether opposed to it, and I will tell you why. I thought property ought to be classified because it would make it possible for us to reach a class of property that in a measure at least escaped taxation; but I found that all the argument in favor of the classification of property was that we make it easier for some property to escape taxation. I spent a few minutes this forenoon in ascertaining as near as I could how property is escaping taxation in some of the large cities. Here are a few figures that I hastily gathered from an official report. If this report is correct, in Cuyahoga county in 1909 there was returned for taxation moneys on hand and subject to check \$1,800,000. I give it in round figures. There was at the same time on deposit in the banks of Cuyahoga county subject to check \$165,000,000. In Hamilton county there was on deposit \$111,000,000, while \$1,113,000 was returned for taxation. In Franklin county there was \$32,000,000 subject to check, and 1,600,000 returned for taxation. In Montgomery county there was \$14,000,000 on deposit, and \$1,500,000 returned for taxation.

Now, last night the member from Preble spoke of his county, and I looked that up, and there was \$2,252,000 on deposit in 1910. I was not able to get the report for 1911, and so all I can give you is for 1910. In 1910 there was returned in Preble county about \$927,000 out of about \$2,000,000. Now, come to the county where I live. There was on deposit in the banks of Defiance county \$1,313,000, and there was returned for taxation \$201,000.

Now I am going to discuss this matter today just as I discussed it with a banker of Defiance county a few days ago. I said to him, "I will not agree to any proposition that will make it easier for any men to avoid taxes," and I want to confirm what was said by the member from Cuyahoga [Mr. Dory], that it is not the property that pays the taxes, but it is the owner of the property. I will not consent to any proposition which makes it easier for the owner of property to avoid the payment of taxes. I said this to the banker, "If I have an opportunity in the Constitutional Convention—indeed, if I ever find an opportunity any place where I shall be able to strengthen the law so that the taxing officers may go into your banking institution, and ascertain the name of every man who has money on deposit there, to the end that it may be required to respond in a just amount of taxes, I will do so," and I said to the building and loan association that my firm represents as attorney, "If at any time in the Constitutional Convention or elsewhere I can aid in making it possible for the taxing officers to go into your association and find who it is that owns \$780,000 of money that I know is on deposit with your association, I will aid him, to the end that every one of those owners of property may be required to pay taxes." If it were possible to get upon the tax duplicate these concealed funds nothing would be easier than for our counties and municipalities to raise all the funds necessary to carry on their

Taxation.

business affairs and pay their debts; and the reason we have not been able to do it heretofore was because we have all the time attempted to make it easier for men with money to avoid paying taxes upon it. Now it appeals to me this way: I have in mind an illustration in one of the townships where I live. A man died a couple of years ago leaving an estate of about \$80,000. It was inherited by his two sons. One of them took his \$40,000 and put it in one of our banks and in our building and loan associations. So much as went on deposit in the building and loan associations earns five per cent interest, and that in the bank earns three per cent. The other son invested his money in a farm in Defiance county. Is there any justice in a proposition that will permit the one who put his money in the bank and the building and loan associations to escape all the taxes, which he will do, when the one who put his money in the farm will have to pay full taxes?

I offer this amendment so that we can meet the question face to face as early in the discussion as possible.

Mr. FACKLER: I have never been an advocate of the classification of property for the purpose of taxation, but I have believed that taxation is a matter upon which public opinion is in a formative stage, and it should be left to the legislature rather than fixed in the constitution, and I have been interested as a resident in a large city, or district in which there is a large city in which I am interested, in that part of the minority report which undertook to limit the powers of the city, and I am pleased to note in the amendment of the gentleman from Defiance [Mr. WINN] that the arbitrary limit of the bonded debt was abandoned. The bonded debt there was not only decreased, but if section 7 of the minority report were adopted, water works bonds, which have heretofore been eliminated in figuring the debt limit, would be included; but the amendment of the delegate from Defiance [Mr. WINN] provides the maximum tax rate shall never exceed ten mills. That is more stringent than the Smith bill. The Smith bill allows levies for sinking funds. The Cleveland sinking fund levy is 1.38. We can not get along with this amendment, and I offer an amendment raising that limit to enable the cities to get on temporarily.

The amendment was read as follows:

Amend the amendment of Mr. Winn to Proposal No. 170, as follows:

In the second line of section 9, change "ten" to "fifteen". In line 11 change "fifteen" to "twenty".

Mr. CASSIDY: I move to lay the Winn amendment and the Fackler amendment on the table.

Mr. WINN: I want the yeas and nays on that.

The PRESIDENT: Does the member want the yeas and nays, or will he allow the president to count?

Mr. WINN: I want them to go on record.

Mr. PRICE: I ask for a division of the questions.

The PRESIDENT: The question then is upon laying the Winn amendment upon the table.

Mr. DOTY: No; if anybody had desired to lay the Fackler amendment on the table, a motion could have been made to that effect. A motion was made to lay the pending amendment and the Fackler amendment upon the table, and that motion is indivisible. I call your attention to the fact that we have already voted once

upon this, and we are only allowing a yeas and nays vote by sufferance.

The PRESIDENT: The president sees no reason why a division is not granted and the vote taken.

Mr. FACKLER: I will withdraw my amendment temporarily then.

Mr. WINN: An amendment cannot be withdrawn without unanimous consent.

Mr. KNIGHT: Then I object, and appeal from the decision of the chair, after we have had one vote on it.

Mr. HARRIS, of Hamilton: And I sustain the appeal.

The PRESIDENT: The question is, Shall the decision of the president stand? Those in favor of the motion will say aye, and the contrary no.

The president seems to be sustained, and the vote is on the amendment of the member from Cuyahoga [Mr. FACKLER]. The question is, Shall this amendment be tabled?

A vote being taken the president declared that the motion seemed to be lost.

A division was called for.

The PRESIDENT: Those in favor of laying the Fackler amendment on the table will please rise. [After a count]. The motion is lost.

Mr. WINN: Now I demand the yeas and nays.

Mr. DOTY: On what?

Mr. WINN: On the amendment I offered.

Mr. FESS: I rise for information. The motion was to table these two amendments, and I want to know what we voted on. I do not understand how we can table the Winn amendment without taking the other amendment with it.

Mr. WINN: We have voted on the other amendment, and now I demand the yeas and nays on the motion to table my amendment.

The yeas and nays were taken, and resulted—yeas 52, nays 57, as follows:

Those who voted in the affirmative are:

Anderson,	Halenkamp,	Mauck,
Antrim,	Halfhill,	Peck,
Beatty, Wood,	Harris, Hamilton,	Read,
Bowdle,	Harter, Stark,	Redington,
Brown, Lucas,	Hoffman,	Roehm,
Campbell,	Hoskins,	Shaffer,
Cassidy,	Johnson, Madison,	Smith, Geauga,
Cordes,	Johnson, Williams,	Solether,
Crosser,	Kerr,	Stewart,
Davio,	Kilpatrick,	Stilwell,
Doty,	Knight,	Taggart,
Evans,	Kramer,	Tetlow,
Fackler,	Leete,	Thomas,
Farrell,	Leslie,	Ulmer,
Fess,	Malin,	Weybrecht,
FitzSimons,	Marshall,	Wise,
Fox,	Matthews,	Mr. President.
Hahn,		

Those who voted in the negative are:

Baum,	Donahey,	Hursh,
Beatty, Morrow,	Dunlap,	Jones,
Beyer,	Dunn,	Kehoe,
Brattain,	Dwyer,	Keller,
Brown, Pike,	Earnhart,	Kunkel,
Cody,	Eby,	Lambert,
Collett,	Fluke,	Lampson,
Colton,	Harbarger,	Longstreth,
Crites,	Harris, Ashtabula,	Ludey,
Cunningham,	Henderson,	McClelland,
DeFrees,	Holtz,	Miller, Crawford,

Taxation.

Miller, Fairfield,	Pettit,	Stevens,
Miller, Ottawa,	Pierce,	Stokes,
Moore,	Price,	Tannehill,
Norris,	Riley,	Wagner,
Nye,	Rockel,	Walker,
Okey,	Rorick,	Watson,
Partington,	Shaw,	Winn,
Peters,	Stalter,	Woods.

So the motion to table was lost.

Mr. COLTON: I now offer an amendment.

Mr. FACKLER: I rise to a point of order. There are three amendments pending now.

The PRESIDENT: The point is well taken. The president recognizes the gentleman from Cuyahoga [Mr. HAHN].

Mr. HAHN: Mr. President and Members of the Convention: F. B. Colbert, the great French financier during the reign of Louis XIII and Louis XIV, was asked what he considered the best principle in taxation. His answer was, "Taxation may be compared to the plucking of the feathers of the geese. Pluck out as many feathers as you possibly can, but only see to it that the goose does not squeak." That policy in taxation of ages past does not hold good in our days. We have to be guided by the principles of the science of taxation.

The great minds of England, France and Germany have given the closest attention possible to that matter; and the consequence is that taxation has become a subject discussed in clubs and societies, books and periodicals, lodges and private assemblies and with the result that the greatest experts of the present day came to the conclusion that uniform taxation has proved to be a failure.

We have two kinds of property, real and personal, and as long as these two classes of property will so radically differ from one another in form, nature and character, it will be necessary to have at least two kinds of taxation. Uniform taxation is and will remain a failure as long as it will be difficult to reach intangible property. If intangible property could not be concealed the whole taxation problem would be solved at once.

I am in favor of the classification of property for taxation purposes for the reason that uniform taxation is in conflict with and in contradiction to every principle of sane taxation. The first fundamental principle of taxation is and should be just distribution of the taxes. But a just distribution of taxes is impossible under the uniform taxation system because uniform taxation means double taxation. I heard yesterday a gentleman here say, "What about double taxation? That is a mere bugaboo. There is nothing of any amount in the state of Ohio that indicates double taxation." As long as there will be a tax on real estate mortgages and at the same time a regular tax on the same encumbered property, and as long as there is tax to be paid by the merchant on his outstanding debts, and at the same time a tax on his stock of goods on which he owes money, and as long as the investor in the stock of a corporation and also the corporation will be taxed on the same stock we have double taxation of a nefarious kind in Ohio.

What are the consequences of double taxation? In the first place, it has a bad moral influence in so far as it leads to lying and to perjuries and to all kinds of schemes by which people conceal their personal prop-

erty to escape taxation. Mortgages are put in fictitious names or in the names of banks. A great many people do everything to conceal their securities and their money deposits and in most cases it is impossible to do anything against them. It has further a very injurious influence in driving the money out of the state. People think a classified taxation makes it too easy for the rich man to invest his money. You need not worry about the rich man. The capitalist knows where the cities of refuge are to obtain the highest per cent and to secure the greatest benefit. We must rather take care of the farmer, who is threatened by foreclosure and unable to secure a loan, we must think of the merchant, when beneficial for him to put a mortgage on his stock, and of the workingman, when the time comes for him to build a little home and he cannot get a loan because the money is driven out of the state. Who after all has to pay the higher rate of interest? The capitalist finds under all circumstances a way to shift the burden of the taxes upon the shoulders of the borrower. A great injury is wrought in that respect. Moreover the double taxation drives some of the best men from the state. "People may say, "Well, we can get along without them." Ah, my friends, that is a great mistake. We can get along and we must get along when it can not be helped, but there are men whose genius, energy and enterprise weigh in the scale of social conditions a great deal more than their dollars and cents. The uniform taxation is against another fundamental principle, the ability to pay taxes. The burden of taxes should not come on the man who is not able to pay. It is a great mistake to think that the man who pays the taxes really is the taxpayer. Very often the man who pays the taxes does not pay them at all. He merely advances the money and the real burden is shifted upon the man who is the least able to bear it. Let us see how that works in some cases. Take, for instance, a farmer who owns some sheep. He has to pay taxes on the sheep. Then the wool is clipped, and there comes in the jobber, and he has to pay taxes on the wool. Then the wool is taken into the factory, and there again is the tax on the machinery. The wool has to be dyed, and it is dyed with taxed dyeing-stuff; and then when the cloth is produced it goes to the merchant and he has to pay taxes on it, and then the tailor has to pay taxes. Now you can see how often taxes have to be paid upon almost one and the same article. Who after all has to bear the tax burden? The man who buys and wears the clothes. The man who is only too often least able to pay taxes. This is the principle of incidence so often overlooked by the people, but of its evil and wrong effects the poor man is never relieved.

A third fundamental principle of taxation is certainty. There must be a certain taxable object, but the uniform taxation system does not consider that. It imposes taxes upon property it can never reach. Of what benefit to the merchant are outstanding debts he never can collect? And of what benefit is it to the state to put on the tax duplicate personal property that cannot be reached? People say you can force the owners of such property by law. Experience has shown us that force in that respect is inefficient. It is human nature we have here to grapple with. We must take mankind as mankind is. We cannot change human nature. Experience teaches us

Taxation.

that when it comes to the payment of taxes upon personal property, people try to evade it as much as possible. It is true, it should not be so. When people take into consideration that they live in a large commonwealth where they enjoy all the blessings of justice and liberty, where they live in affluence and prosperity, they should feel happy and glad to pay taxes and nothing should be farther from them than evasion of taxes. They should consider the day when they go to pay taxes a holiday and they should put on the best of their attire. But not all are so built, and we cannot change human nature. What can be done? Shall the people who have personal property not be taxed at all? That is not the idea. There is only one way by which that evil can be considerably remedied and that is by lowering taxation on personal property. People have money in bank. The money in banks amounts to millions. If you tax it one per cent you cause a great calamity because the people will withdraw it and it will be driven out of the state, but if you tax it at a low rate, let me say one-quarter of one per cent, most of the people will be satisfied, because they know the government has to be supported by tax revenues; and the same thing will be true of foreign stocks. You cannot derive any benefit from it at present, but it will bring millions into the county treasury if only a very small tax is imposed on them. And it will not be different with mortgages. In New York and Philadelphia they have a very low, almost nominal, rate in taxing of mortgages, and to my knowledge it works very satisfactorily. Millions and millions are derived from the lower taxation, while formerly people escaped with paying nothing.

The fourth fundamental and just principle of taxation is to tax the income. It is just because it does not change the prices. It is not an influence upon values, and a man who has an income can better afford to pay than one who is dependent upon agriculture or anything else.

The students of economy were very often perplexed to find a test of taxation. Some thought taxation should be fixed according to the expenses of a man. If a man has large expenses, he ought to pay more taxes. Others again thought property should be a standard of it. They overlooked that property without the right man behind it cannot always be made profitable. Others again thought production was the best test of taxation, but also this was found to be incorrect. My friends, the real test, the real standard of taxation, should be the income of a man. If you raise the taxes on real estate it will at once affect the rent upon factories and stores. If you have a license tax, it has a certain effect upon the capital itself. The license has to be paid, though the capital, however small, is thus much crippled. In business again much depends upon the stringency of money. Much depends upon hard or good times. But the man who has an income, why should not he pay taxes on the same? But even the income tax should not be uniform. A distinction should be made between permanent incomes and such as are merely temporary. The income from a source that can at any moment dry up should not be taxed as high as an income from a permanent source.

We should also have in this state an inheritance tax. There is nothing wrong in it. When people pass away and leave behind them fortunes, society should get a

share of them. When the minister stands at the grave of a rich man saying, "Dust to dust and ashes to ashes, the soul returns to God who has given it," the tax collector should have a right to join saying, "And a portion of the fortune that was left behind shall go to society whence it came." But even the inheritance tax to be fair and proper must not be uniform.

A further fundamental principle in taxation is that taxes shall not impair or diminish the source from which the taxes come. Uniform taxation often kills the goose that lays the golden eggs.

My friends, I am for classification in taxes, because I think it is beneficial and in conformity with the fundamental principles of the science of taxation mentioned here. Let us bear in mind that no matter what our principles or ideas or ideals may be, we have to accommodate ourselves to the economic conditions of the age and we have to consider the forces that are constantly transforming society. Gentlemen, I thank you for your kind attention.

Mr. HURSH: I guess there is no question that those who are familiar with my ideas upon this subject of taxation—

The PRESIDENT: The member from Fayette was to be recognized, and the member from Hardin was not recognized for the purpose of making a speech. The president thought he was going to propound a question to the gentleman from Cuyahoga [Mr. HAHN].

Mr. HURSH: It puts me in an embarrassing position to make a motion without giving the reasons for it, and I do not care to do it at this time.

Mr. JONES: It has been said that there is no question so great or so complex—and that is well illustrated in the experience of lawyers in the trial of cases—but that the whole matter may be reduced to one or two controverted propositions, the determination of which will settle the whole matter involved.

It has occurred to me in listening to the discussions upon this taxation matter that that was eminently true here. We have had a great deal of discussion upon the matter by the member from Cuyahoga [Mr. Doty] which was largely if not wholly theoretical, and we have had a great deal of discussion from other members along the same line with reference to this matter of classification, but reduce it to its last analysis and it occurs to me that it involves simply one question. It appears to be conceded from what I have been able to hear, and I have been listening intently to those who have been advocating the classification of property, that the uniform rule of taxation is the most desirable one, provided it can be properly enforced. I say by everyone, but I notice Mr. Doty shaking his head. I will modify that and say, by everyone who is not in favor of the single tax. But all of those who hold to the theory that taxes should be raised upon property, and to the correlative theory that the taxes should be paid in proportion to the ability of the person to pay, recognize, as I say, as fundamental that the amount of taxes ought to be regulated according to the amount of property that the person has, plus the modification of his ability to pay. I mean by that that those who have but little property, it is conceded by all, ought not to pay much if anything; that the great theory, particularly of a democratic form of government, and the ideal situation in society that

Taxation.

we would all like to see exist, is that every man should have a competence, and no man should have an excess; that all men should be well situated, and no man excessively rich. We should have no poor and we should have no rich. Upon that theory we all agree, that this rule of laying the taxes according to the amount of property a man has should be modified by this other principle of the ability of the person to pay the tax, that that should be taken into consideration upon the grounds of public policy to which I have referred. We should do what we can to bring about these ideal conditions, where every man will have a competency and no man more than he needs. For that reason you have not heard a note of dissent here in all this discussion, against the inheritance tax, and you have not heard a note of dissent against the graduated income tax, and the sense of this Convention upon that question, and the sense of the people at large is, that those who are best able to pay ought to pay the most, and the tendency of the time is to go further than that, and we are drifting to a consensus of public opinion that the point ought to be fixed in the levying of income taxes beyond which a man could not accumulate. There is a point where the public should be able to say that a man shall not have any more of the wealth of the country. You have also noticed an entire absence of objection to any inheritance tax proposed, and for the same reason.

Now the objection that you have heard to all that is embodied in this measure is founded upon two propositions—the first, that you ought to have classification of property, that this uniform rule of laying taxes is all wrong, and second, that you ought to have an exemption of municipal bonds from taxation, which is simply another method of stating your objection to the uniform rule, which is another method of asserting the claim that property should be classified. We have just heard from this floor a reference by the distinguished member from Cincinnati to a number of eminent men in this country who have written upon this economic question, and that they are all of one view with reference to it, and I listened carefully to see if he would do more than merely make that statement. It occurred to me that it was simply a relash of the old stock argument that we all indulge in when we are not fortified with good reasons for the position we take, and say that some great man, in the present or the past, has taken a view that coincides with ours, without giving our hearers the benefit of any reasons for that view. And we are now here—at least I am, upon this question, because I have had to a certain degree at least an open mind upon it—we are all sitting here, and doubtless many others of the Convention are in the same attitude that I have been, seeking for light. I am seeking for some argument that will sustain this claim that the uniform rule of taxation is a failure and is unsound, and that the only proper rule is the classification of property, and I have come to the conclusion after all I have read upon the subject, and I have endeavored to read everything obtainable upon it—for with other members of the Convention it has been a subject of great interest to me for many, many years—I have read extensively, but I had hoped to hear something new in this Convention upon this subject; but after all, I appeal to you, gentlemen of the Convention, have you heard one other argument

than the old stock argument that has been adduced everywhere the question has been touched upon, merely that you cannot make people return their intangible property? Is there any other argument that has been offered when it is reduced to its last analysis?

Mr. HARRIS, of Hamilton: Will you allow a question?

Mr. JONES: I prefer not to be interrupted unless you insist.

Mr. HARRIS, of Hamilton: I will not insist, but the question is very short, and can be answered yes or no.

Mr. JONES: All right then.

Mr. HARRIS, of Hamilton: Has the member from Fayette read the two books, Seligman's Essays on Taxation and Taussig's Political Economy?

Mr. JONES: I think so.

Mr. HARRIS, of Hamilton: And you have found no reason to sustain classification?

Mr. JONES: I say, when you boil it all down to its last analysis, it amounts to the argument persistently adduced before this Convention that the reason why the uniform rule of taxation should not be adopted is solely that we cannot get the property on the tax duplicate under it. What greater elaboration would anyone desire than the honorable gentleman from Cuyahoga [Mr. Doty] gave us in the two or three hours' speech he made upon this subject?

Mr. PECK: What better reasons do you want that the system is impractical?

Mr. JONES: Then it is all brought, as Judge Peck's question suggests, to the simple question whether or not that is a good reason, and we don't have to determine that matter by the sayings of great men upon the one side of the question or the other; but we are now dealing with affairs in the state of Ohio, and we are examining and determining for ourselves now whether that argument is sound as applied to the state of Ohio.

Now it will be admitted right at the start that there has been a lamentable failure under the uniform rule to get out the intangible property in Ohio, and to put it on the tax duplicate.

Mr. PECK: Does not that settle the whole question?

Mr. JONES: Let us see if it does.

Mr. PECK: Assuming that the attempt has been made in good faith.

Mr. JONES: And assuming some other things I want to call attention to. Now, if that failure be an inevitable fact, one that cannot be avoided, then I am for classification of property. Then I concede at least that the position of the gentlemen in favor of classification is justified. Let us then inquire as to what has been the reason for this failure; and have you observed among the gentlemen who have spoken upon this question any difference as to what that reason is? Is it because men are dishonest? They all say no, because the great majority of us are reasonably honest. Is it because men do not want to bear their fair share of the burdens of government? They all say, "No; they do, that it is only one in a hundred that does not want to do so." Then what is the reason these owners of intangible property have not borne their fair share of the burdens, and have not exercised that honesty in the matter of returning their property for taxation that they exercise in the ordinary affairs of life? They all say that the

Taxation.

amount that you are asking of them is unjust and inequitable. Has there been any other reason assigned?

Mr. DOTY: Quite a number.

Mr. JONES: Aside from Brother Doty's single-tax notion?

Mr. DOTY: It has nothing to do with the single tax.

Mr. JONES: Has there been any other reason suggested to us in this Convention why men do not return their property for taxation except, as said by the gentleman from Cincinnati, that you are seeking to impose an injustice and a wrong upon them in making them pay an amount in excess of what the common judgment of mankind says is reasonable? He says they will pay a reasonable amount, up to a quarter or a half of one per cent. They will pay that. Why? Because that is a reasonable amount. But he says when you put the amount up—and he says in some jurisdictions five per cent has been charged—that it is so shocking to the ideas of human justice that not only the man owning intangible property says it ought not to be paid, but there cannot be found a man in the community who would say he ought to pay it.

Mr. PECK: Suppose you put it upon the ordinary desire in everybody's breast not to pay any more than he can help.

Mr. JONES: That is not true.

Mr. PECK: It is true. That is an assumption of human nature, and it is correct.

Mr. JONES: The natural impulse of every man is to bear his fair share of the burdens of government.

Mr. PECK: No, sir; the natural impulse is to get away as easy as he can.

Mr. JONES: The natural impulse of every man is to be honest, and if you put the question to a hundred men, "Are you willing to pay your share?" how many of them will say no?

Mr. PECK: Not one of them. They would all say they were.

Mr. JONES: And would they be telling you the truth?

Mr. PECK: No, sir; not one of them. Every one would be lying.

Mr. JONES: If that be true, it is a sad commentary on our citizenship.

Mr. PECK: Well, it is true, all right.

Mr. JONES: Are ninety-nine men out of a hundred willing to pay their obligations in business?

Mr. PECK: Yes, because if they don't they will suffer from it.

Mr. JONES: Yes, but back of that there is something that forms the foundation of society, because we could not have society but for voluntary association, and if we did not do anything except what we are compelled to do we would not have any society. What is it that produces this condition where the men who own intangible property have said "We will not return it" for the reason given by every speaker, "because it is unjust and wrong to ask us to do so."

Mr. PECK: What is the reason that a farmer wants to get his farm appraised as low as he can?

Mr. JONES: What has brought about that situation? Simply this, that under our system of administering the uniform tax rule we have proceeded upon the

theory that everybody should pay just as little taxes as possible.

Mr. PECK: That is true, that everybody pays as little as he can. That is human nature absolutely.

Mr. JONES: Judge Peck says that is true. We have been proceeding upon a false theory with reference to the administration of our tax laws, and what have we done? We have said when an election comes around for a land assessor, "How are you disposed toward farm lands, in favor of putting them high or low?" "I am in favor of putting them low." "How are you disposed to value real estate?" "I am in favor of putting it low." And we have elected men upon the promise that they will put the property down low. What was that? That was simply another way on our part of evading taxes. Now if every landowner is going to engage in evading taxes, in what position is he to object to the holder of intangible property who engages in evading taxes?

Mr. PECK: Not any. That is what I say exactly. I am glad you caught onto the matter finally.

Mr. JONES: I think that it is susceptible of demonstrating that a remedy for all this can be found without classification.

Mr. PECK: Let us see the remedy.

Mr. JONES: We all know as a matter of fact, as far back as our recollection can go on these matters, and mine goes in active business life for thirty years, that it has been practically true that none of the invisible property got upon the tax duplicate, money or credits or the other forms of invisible property. And we all know further that the real estate and visible personal property of the country has not gone on the tax duplicate at any thing like its value; that the real estate of Ohio for taxing purposes has probably during the last fifty years been assessed at not over twenty-five per cent of its value. In effect that was for every owner of real estate to evade three-fourths of his taxes. I think it is true that the values of visible personal property have been placed a little higher upon the tax duplicate, but certainly not more than half its actual value. The result of this was to constitute an evasion to the extent of fifty per cent by the holders of the visible personal property. Right there is another thing, and a queer sort of thing. Even with the prejudice that has existed for the last fifty years or more against banks in the state of Ohio, and you only need to read the debates on the subject of banks in the Convention of 1851 to see how violent it was here at that time, but with all that prejudice against banks that has existed in every community in Ohio for the past fifty years, what have you today? You have had until during the past year the county auditors in every county of the state, and you have had the state auditor, voluntarily and without any authority of law, after a bank had made its returns, cutting off one-third of it, and public sentiment approved it, notwithstanding the violent sentiment against banks; and they did it upon the theory that while the owner of real estate is evading three-fourths of his taxes, and the owner of visible property evading at least one-half, they ought to let the banks evade one-third of theirs, and up to within two years ago, for practically forty years, we were cutting off one-third of the returns of the banks.

What else has existed? A most remarkable thing that I never could understand. With this prejudice against

Taxation.

banks, and still cutting off one-third of their property that should be taxed, and cutting down visible personal property to the extent of fifty per cent, and cutting down land three-fourths of its value, at the same time you have had a queer public sentiment in Ohio that said if a man owned a note, even though not secured by a mortgage, he must return that note at its full value. If he had a mortgage on land, he must return that mortgage at its full value. If he happened to have money in bank, he must pay upon the full amount of the money. There was no public sentiment in Ohio that permitted a man owning money to cut it in two as a man who owned a farm or hay or corn or merchandise. It would not be permitted for a moment. If he had notes or stocks that were taxable, he could not cut down those even as much as the returns of the banks were cut down, but he had to put them on at full value, and submit to a rate of three or four or five per cent. Evasion by the owner of intangible property was created solely by this evasion on the part of the landowner, this evasion on the part of the owner of visible personal property, and this evasion upon the part of the owner of every other form of property than these I have mentioned, money and credits. I never was able to understand how that sentiment was developed. I cannot see how or why it continued with the existing sentiment with reference to all the other subjects of taxation. That sentiment which has existed in Ohio for the last half a century with reference to money and intangible personal property, together with the practice of evasion on the part of everybody else, is the reason why you have not had this property on the tax duplicate. If that is sound reasoning, if that is the reason why it has not been on the tax duplicate, it necessarily and logically follows that, if you remove the reason and the cause of it not being on the tax duplicate, you will get it on the tax duplicate.

Mr. WATSON: Can it be removed?

Mr. JONES: That is another question that I am coming to.

Mr. PECK: These things grew up because of the question of appraisement. The supreme court of the United States decided as to the banking business you have been speaking about, and let out the national banks on the sixty-six and two-thirds basis on the ground that property generally in Ohio was taxed at that rate. The statutes of the United States permitting the taxation of the federal banks provides they shall not be taxed at a greater rate than any other property in the state, and the supreme court of the United States having before them the fact that in the state of Ohio property generally, including real estate and land, was not taxed at over sixty-six and two-thirds per cent of its real value, said that is as much as you can tax national banks, and that is the basis of your claim. The trouble is the appraisement. The difference between money and anything else is that money appraises itself, but when you come to land or personal property there is room for a difference of opinion. One man thinks this, that or the other thing, and it all comes down to a question of appraisement, and there is where you get into all sorts of trouble.

Mr. JONES: I want to notice that a little further on. I will notice your suggestions a little later. It is true, as Judge Peck says, that this question first arose with the federal banks, and it arose because the federal

courts had jurisdiction in that class of cases, but that doesn't make an excuse for applying it in taxing state banks.

Mr. PECK: Yes; it does.

Mr. JONES: Or applying it to private bankers.

Mr. PECK: The private bankers came along and said, "Here is a national bank and it is only paying so much, and we ought not to pay any more."

Mr. JONES: Will it be said for one moment that notes and bonds and mortgages in the possession of private bankers, simply because they are engaged in the banking business, are less susceptible of exact ascertainment of value than if an individual owned them?

Mr. PECK: They don't go into it that way.

Mr. JONES: Ah, they don't go into it that way! I am referring to the fact of that queer situation with reference to public sentiment in Ohio with regard to these intangible forms of property.

Mr. DOTY: Do you know of any rule by which various men can appraise the value of various things in various portions of the state?

Mr. JONES: That is a matter involved in the same subject suggested by Judge Peck, and if you will let me answer it in the order in which I am approaching the subject I shall be obliged to you.

Now, if, as I have said that manifest injustice to the owner of notes and the owner of bonds and other forms of invisible property has been the cause of his not returning his property, then if you remove that injustice you will get the property upon the tax duplicate to the extent but not entirely—to the extent of the honestly disposed men who hold that kind of property, and to the extent of the men holding that property who are willing to bear, not an excessive share of the burdens of government, but who are willing to bear their fair share of the burdens of the government.

Mr. DWYER: Suppose a building association has a mortgage upon a man's home or farm. That mortgage secures the note. What do you say as to the return of that note for taxation by the building association?

Mr. JONES: My theory is that everybody who has anything that comes under the denomination of property ought to pay taxes on it. That is another thing I want to reach later, if I do not trespass too much on the time of the Convention.

Now how are you going to remove these things that have caused this failure of the intangible property getting upon the tax duplicate heretofore? The right steps are already being taken, and it is entirely too soon for any man to say that this plan, even crude as it may be in its inception, will not substantially accomplish the end. What does that involve? As a first proposition it involves this: That every owner of real estate must submit to its being put upon the tax duplicate at its fair cash value; that every owner of visible personal property must submit to its being put upon the tax duplicate at its fair cash value. You all admit that is easy of accomplishment?

Mr. DOTY: No; we don't.

Mr. JONES: It will be with the exception you have referred to, and I will discuss that when I get to it.

Mr. DOTY: You cannot prove it.

Mr. JONES: I say it is easy of accomplishment, and I will discuss that. Mr. Doty says, "No, that cannot be

Taxation.

accomplished because you are going to have a great number of different men value the property. You have to depend on the judgment of different men, and you cannot standardize the appraisement of property. You cannot have any rule for measuring it as you can with reference to money. You cannot therefore have any uniformity, because you cannot have any uniformity of value." Theoretically that is true, and that being true is the trouble with the whole of Mr. Doty's argument. It is a very fine argument theoretically, but in the ordinary affairs of life we do not split hairs that closely. In the ordinary affairs of life we approximate things, and necessarily have to approximate things. His argument applied to the ordinary business transaction, to a division of estates, for instance, leads to absurdity. The rule is to make equal division between the heirs, but Mr. Doty says you cannot have absolute equality of division among heirs. Why? Because they have to have that property appraised by someone. This set of appraisers may appraise the property at one figure, and another set of appraisers may appraise the property at another figure, and that especially will be true in different sections of the state, and men are called upon to appraise it who do not know anything about its value; they may be going into a strange community, and they have to estimate it. Theoretically his argument would be just as applicable to a division of an estate as to an appraisement for the purposes of taxation.

Mr. DOTY: There is nothing similar to that. You cannot find any similarity.

Mr. JONES: Take any of the ordinary affairs of business life, where the rights of parties are to be determined according to value of property.

Mr. DWYER: Are you not depriving all parties who hold notes and mortgages from using the courts of the state to enforce their claims unless they return their notes for taxation?

Mr. JONES: That is a matter of remedy.

Mr. DWYER: What is your idea?

Mr. JONES: Anything that would get the property on the tax duplicate I would favor.

Mr. DWYER: What would you say about refusing them recourse to the courts?

Mr. JONES: That would be a mere matter of detail, but I am coming now to a proposition that Mr. Doty makes—I have not heard anybody else make it—that this thing is a dead failure because of the inability to get anything like a fair value of the property. We only have, as I say, to look around and observe a little of the actual transactions of business in our ordinary life to see the many, many instances where the rights of parties, to an extent far greater than that involved in levying taxes, are determined by valuations put upon property, valuations put by different men and by different means. It occurs to me that that whole argument is too flimsy for me to take up further time in answering it. It is possible to get fair values of real estate. Are you taking into account that you swear men to appraise property for purposes of taxation at its full market value? What reason is there that they cannot approach that market value for the purposes of taxation just as closely as if you were sending them out to appraise it for the purposes of a sale on execution, or on a foreclosure of a mortgage, or for any other purpose? It is non-

sense, gentlemen of the jury, to talk about not being able to fix a basis for the appraisement of property—

Mr. WATSON: "Gentlemen of the jury?"

Mr. JONES: That is force of habit. Now, if that can be done with reference to real estate as a practical proposition, not theoretical, as Brother Doty has said, but as a practical, every-day proposition, if you can arrive at the substantial value of real estate, what is there in the way of arriving at the value of tangible personal property? Take wheat or corn, and does anybody pretend to say that any reasonably intelligent man could not go out in a township in which he was born, reared and lived all his life and get a fair knowledge of the value of the property, and tell you the value of the corn and the wheat and the hay in that township? Could it not be done for the purposes of taxation as accurately as for any other purpose? And there are dozens of other purposes for which a man may be called upon to appraise property that are far more important than the levying of a one-half of one per cent tax. Is there any form of visible property the value of which cannot be ascertained with substantial accuracy? Take the stock of merchandise of a merchant, do you say that cannot be ascertained?

If you were going to sell it you would ascertain it pretty quick, and would ascertain it with reasonable accuracy, and there are well-known available means for doing that. If you were going to sell anything of that sort on execution you would get at its value. If you can do that with regard to a thing of that sort, why in the name of common sense, for all practical purposes, cannot you do it for the purpose of ascertaining how much he would have to pay on it at a rate of one-quarter of one per cent in the way of taxes? You can get at it with substantial accuracy and substantial justice to all concerned. Now, if you can do that with regard to visible real estate and visible personal property, they have never complained that you cannot get at the value of invisible personal property.

Mr. DOTY: You have not stated how you get at it.

Mr. JONES: I have not heard any claim that you could not value invisible property. The main argument against the taxing of invisible property is that you have not any way of determining what the value of visible property is.

Mr. PECK: The main argument on invisible property is that you cannot find it. It is utterly invisible.

Mr. JONES: Then it comes down to this proposition: As I have said, there is no trouble in ascertaining the value of money. The people for fifty years have not had any trouble on that. If a man has money it is worth one hundred cents on the dollar. They all say if he has a note which is good that it is worth one hundred cents on the dollar.

Mr. DOTY: No; it is not.

Mr. JONES: Theoretically it is not, but practically it is.

Mr. DOTY: Don't you hold notes in your bank that are not good?

Mr. JONES: Take the millions of dollars of transactions that occur every day in banks all over this country. What do they all involve? They involve the exchanging of money at one hundred cents on the dollar for this intangible personal property. In banks all over

Taxation.

the country notes, checks, bills, etc., are passed through and handled and appraised every day. Every transaction that occurs involves an appraisal not for the purpose of paying one-half of one per cent taxes on it, but for the purpose of a man or bank parting with the full value of that property, and you arrive at substantial accuracy. Now, are there very many mistakes made? If there were, all the banks would be broken in a short time, and the men engaged privately in lending money would go out of business. But we all know that as a practical business proposition you can substantially arrive at the value of all this kind of property.

Mr. HOSKINS: Do you pretend that the passing through the bank would help you to place it on the tax duplicate?

Mr. JONES: No, sir; but every time they pass through the bank they must for some purpose be appraised, and it is possible to appraise them with substantial accuracy, or these transactions could not be carried on. Now, if you can appraise these invisible assets of millions of dollars every day for the purpose of business transactions between men, why in the name of common sense can you not appraise them with reasonable accuracy for the purpose of taxation?

Mr. HALFHILL: Do I understand you to say that the ordinary business transaction of passing credit through the bank involves an appraisal?

Mr. JONES: I say in a sense it involves the valuation or appraisal of the party's interest in that form of property, because when a man parts with his good hard cash for a note, he is necessarily called upon to judge of the value of the note. When a bank does that it does the same thing.

Mr. HALFHILL: Does not the fact involve a guaranteeing by everybody who passes on the credit?

Mr. JONES: Not necessarily. If a bank buys it without recourse the question of appraisal of value would be the only one involved. Of course it may have somebody else behind it, and if it does that is one element of value.

I say there is no way in which you can view the matter but what you must conclude that for practical purposes, leaving aside the fine-spun theories of Brother Doty, that it is practically possible to arrive at a fair valuation of the property for the purposes of taxation. But as suggested by my venerable friend to my left, that is not the material matter or the most material.

Mr. PECK: If you are referring to me as "venerable" you are going to get whipped.

Mr. JONES: Then, my "youthful" friend. Now the gentlemen from Cincinnati [Mr. HARRIS] and others who have spoken on this matter say, "Yes, you can get at it if you make the rate reasonable." That involves the question of what is going to occur if you get all of this visible property on the tax duplicate at its full value. What effect is that going to have on the rate? If the rate is going to be made reasonable, and if, as the gentleman from Cincinnati [Mr. HARRIS] argues, a reasonable rate is going to bring out the great majority of it, the effect of raising all the other property to its proper plane of value will be to make the rate reasonable. That involves a simple matter of calculation, and it does not need any elaboration or discussion to make it apparent. If it is true, and I have not heard any contradiction,

and I do not think I shall hear any contradiction of it— if it is true that real estate heretofore has not been valued at over one-fourth of its value, or not over one-fourth of what it should have been, and if visible personal property has not been valued at over one-half of what it should have been, and if the banks have not been paying over two-thirds of what they ought to have paid, and if all these other corporations throughout the state have not paid over one-third of what they ought to have paid, and all that is brought upon the tax duplicate, the inevitable effect will be to make the rate low. It would make it very low except in those cases where the municipalities have unfortunately in a lapse of good judgment gone farther in debt than they should have gone.

Mr. DWYER: Do you not think it is an extravagant statement that real estate has only paid one-fourth of its value?

Mr. JONES: I do not think so.

Mr. DWYER: It may be that way in Fayette county, but it is not so with us.

Mr. JONES: Take the tax duplicate and the way property sells and you can tell.

Mr. PECK: The understanding with us is that it is assessed at sixty-six and two-thirds per cent of its value.

Mr. JONES: We all know that was erroneous.

Mr. PECK: I thought it was about right.

Mr. DOTY: What do you put it at, Mr. Jones?

Mr. JONES: I think somewhere between twenty-five and fifty per cent.

Mr. DWYER: We always figured two-thirds.

Mr. JONES: We always flattered ourselves that we were doing all that we ought to do, but down in our hearts we knew we were not.

Mr. PECK: You have some human nature in Fayette county?

Mr. JONES: I think we have some.

Mr. PECK: I told you nobody wanted to pay any more than he had to pay, but you wouldn't believe me.

Mr. JONES: The excuse for doing it is the same old one, that the other fellow is doing it. That is human nature, but it is equally true that it is human nature that every man will do as much as his neighbor in the performance of any civic duty. "I will not permit any man to do more for the state and the public good than I will do," says the average man. That sentiment runs all through mankind.

Mr. PECK: Once in a while they have a spurt in patriotism, but it doesn't last long.

Mr. JONES: When you appeal to them properly they will respond, and it will not be a spurt, but it will last.

Mr. HOSKINS: I think all of these spurts are for public exhibition only.

Mr. JONES: I think not. All you have to do to test that is to jeopardize the state of Ohio or the United States. Let either of them be imperiled at any time, and you will see democrats and republicans, rich and poor, black and white, vying with each other in contributing their part toward defending the country and performing all the civic duties that rest upon them. When you appeal to men and have that appeal based upon right and justice they are willing to contribute their fair share to the support of the government and to the maintenance of the courts that protect their lives and liberties and secure to them all the benefits of organized society. Why, when

Taxation.

you are in a situation to appeal to a man in such manner, where is the man who will not respond? It is not one in a thousand.

Mr. PECK: Is this a matter of sentiment?

Mr. JONES: The argument in favor of classification has been entirely a matter of sentiment. The whole argument has been that if you would put the thing in such shape by classification and low rates where men would say it was reasonable, they would be glad to come up and perform their part of civic duty, and that we would have a solution of the whole matter. I say it is all based on sentiment, upon that well-known element of human nature that nearly every man desires to do the right thing. Suppose there was something here that we were called upon to do, the one hundred and nineteen members of this Convention, and we were all interested in the object to be accomplished and one man would say, "I want the rest of you fellows to do more than I do." You would put your stamp of disapproval on that man so quickly there would not be a man in this Convention who would look at him any more. Apply that to your own community. Let every man who owns real estate or visible personal property come up and say, "I am paying and am willing to pay all that I ought to pay." The rate is cut down to a reasonable one and every man, or nearly all, will come up and pay on his invisible property. A few may say, "My theory of life is to have the other fellows do more than I do." Will there be any lack of prosecution against that fellow? Will there be any one who will say that that man is justified in refusing to return his property for taxation, and that he is justified in committing perjury, or that he is justified in the evasion in which he is indulging? No, sir; the public sentiment would be so strong against him that he would be absolutely ostracized.

Mr. PECK: Have you any taxdodgers in Fayette county?

Mr. JONES: Yes, sir; lots of them, and in my whole recollection of that business we have never had a single prosecution in Fayette county against a man who evaded his taxes, not one.

Mr. PECK: And you never will have.

Mr. JONES: I do not agree with that. The reason is because every man in the county was engaged in the same thing.

Mr. PECK: I thought you had a lot of human nature down there.

Mr. ANTRIM: I was wondering if, when we all came back Monday, it would not help us in the solution of this question if each one brought with him the returns that he made to the assessor last month? What do you think of that, Mr. Jones?

Mr. JONES: It would probably throw some light on the question.

Mr. DOTY: Yes; it would.

Mr. HARRIS, of Hamilton: Do you not think that most of us want to keep that dark?

Mr. JONES: No; I do not. That will not be so for the very reason that the honorable gentleman has been urging upon the Convention, that if the people of Ohio can have reasonable assurance, and they wouldn't ask for absolute assurance either—but if they can have reasonable assurance that this reasonable rate is going to be a permanent thing, then you will have it occurring right

along, that practically all men will return their property, and I predict that this year in my county the assessment now being made will more than double the amount of invisible property on the duplicate last year. I don't know how many times it was greater last year than the year before, but it was many times greater, and why was it? Because we were approaching a position where we could make the appeal to men which the honorable gentleman from Hamilton county refers to, that we are going to make and keep the rate reasonable, and can say that no injustice will be done to you, and you can now do what you have always been willing to do, bear your fair share of the burden of taxation.

Mr. KEHOE: Do you not think the public conscience is being aroused in the matter a little?

Mr. JONES: Not only a little, but a great deal, and you let this same thing go on for five years at the rate we have been going and the rates everywhere will become as low as the most extreme classificationist desires. Our rate in Fayette does not now average, outside the towns, much over one-half of one per cent. It will be less next year. Now, then, a man is going to be mighty little and mighty mean and be placed pretty low down by his neighbors who won't pay his proper share of taxes when the rate is only one-half of one per cent, and it will only be the fellow who is wrong constitutionally on that and everything else who will refuse to do it. We have enough more invisible property in Fayette county now, if it could be brought out and placed upon the tax duplicate, to further cut down our rate nearly one-half. What we want to do is right in line with this one per cent limitation of the tax rate in this proposition. Prevent the creation of a rate in excess of that, simply as a means of assuring and guaranteeing to the holders of invisible property that their property will not be confiscated in the future as has been attempted in the past. As a practicing lawyer I am probably no different from many lawyers in the Convention. Scores and scores of people have come to me in the past complaining about attempts to put their property on the tax duplicate in towns and cities where the rates were three and four per cent, where it was practically confiscation of the whole of their property, and they had been gotten after by the auditor or tax inquisitor. Such attempts have frequently been made in the past in my county, and everybody united in saying it was absolutely unjust and wrong to confiscate their property, and that they did not believe in the enforcement of that law. They would say, "We are willing to join you in helping to defeat it," but they will not be willing to join in helping to defeat the law when substantially all of this property comes out and gets on the tax duplicate, so that the rate will be very low. Now, I know of country districts where the tax rate, with all the property on the tax duplicate, will not exceed twenty-five cents on the hundred dollars. One quarter of one per cent will be the total tax rate in many of the rural districts when all the property comes upon the tax duplicate, and in the cities and towns the rate can be made not so low, because their requirements are greater, but nobody in the city objects to paying more, because they get more in the way of benefits and privileges and conveniences of life. Everybody is willing to pay more taxes in cities, but the rate can be brought down correspondingly in the cities, and I thoroughly believe, referring to the complaints now

Taxation.

made regarding the city of Cleveland, that if even one-half of the invisible property in the city of Cleveland that now escapes taxation were brought onto the duplicate, there would not be a bit of complaint as to the one per cent tax limit.

Mr. HOSKINS: I would like to have you state in short, concise language just what changes in the present constitution you are willing to subscribe to, or whether you are willing to let the constitution alone and not disturb the tax situation at all?

Mr. JONES: I would like to see two or three things done.

Mr. HOSKINS: What are they?

Mr. JONES: In the first place there is no reason for exempting municipal bonds from taxation. They should be taxed. They are property in the hands of the owners just the same as any other securities and they ought to be taxed.

Mr. HARRIS, of Hamilton: Assuming that all the municipal bonds were owned outside of the state of Ohio, why tax bonds and increase the rate of interest one per cent?

Mr. JONES: That all proceeds upon a false assumption. I do not think I shall have time to get to that, but if I do, I will show it to you.

Now I would have those bonds restored to taxation. I would have a limit not to exceed one per cent put in this constitution as a guaranty and assurance in the future that could not be easily taken away, that the rate would never become confiscatory in the future, and I would have, if it is necessary, and I believe it is, a straight-out provision that all property should be subject to taxation.

Mr. DOTY: We have that.

Mr. JONES: But you have some other things in there that put a limitation on it.

Mr. HOSKINS: What are those?

Mr. JONES: Stocks and bonds, securities, investments, etc. Leave off all of those words. The word "property" covers everything. All property should be taxed at its true value.

Mr. HOSKINS: You don't think any class of property has escaped?

Mr. JONES: Yes; I do.

Mr. HOSKINS: Would you tax stocks?

Mr. JONES: Yes, sir; I would tax all property. If a man owns property, why exclude one class and say that another shall be taxed?

Mr. HOSKINS: Would you tax stocks in a local manufacturing corporation in your town?

Mr. JONES: Personally I would.

Mr. HARRIS, of Ashtabula: Do you mean that you would tax the plant and the stock that represented the plant?

Mr. HARRIS, of Hamilton: You know that a certificate of stock represents a share of ownership in that plant. Suppose you had an elevator with 10,000 bushels of corn in that elevator; you pay taxes on the 10,000 bushels of corn and you say to Mr. Harris "I have 2,500 bushels, and I will pay taxes on that," and I give you a certificate. Ought that certificate be taxed?

Mr. JONES: Substantially your inquiry amounts to this: That if a certificate of stock represents merely an interest in the property of the corporation, when the

property of the corporation is once taxed then your property is taxed, because your certificate merely represents your share of the property.

Mr. HARRIS, of Hamilton: Correct.

Mr. JONES: That question is subject to the objection which I made against Mr. Doty's argument—that it is theoretically true.

Mr. DOTY: Practically true.

Mr. JONES: No, sir; and I will show it to you. Theoretically it is true if a bond is issued by that corporation secured by a mortgage on its plant and that money has gone to pay for some of the real estate or some other equipment, theoretically the holder of that bond has furnished part of the property held by the corporation. Now, theoretically you may say your bond is merely a paper showing that you are entitled to go into that property and take out, say \$1,000, and the corporation would have only what is left. Theoretically you are a part owner in that property, and if a man borrow money on a farm theoretically the lender is a part owner of that farm because part of his money is represented by the farm.

Mr. DOTY: There is nothing theoretical about that.

Mr. JONES: Not according to you.

Mr. DOTY: As a matter of fact, according to your view.

Mr. JONES: They say, therefore, "Why, you ought not to tax a mortgage because that is really representing part of the farm!"

Mr. DOTY: That is true.

Mr. JONES: No, sir; and if you will be patient and quiet a while, I will tell you why. You ought not to tax a bond they say, because theoretically that is part of the corporate property, and the certificate of stock is also part of the corporate property.

Mr. HOSKINS: You would tax the stock the same as the bonds?

Mr. JONES: They are all on a par for practical purposes. Theoretically your argument is true, and if you are proceeding on theory you ought not tax the bond.

Mr. HARRIS, of Hamilton: There is no analogy between a bond and stock.

Mr. KNIGHT: I would like to hear the gentleman specifically answer, would he take the stock of Ohio corporations engaged in manufacturing in the state of Ohio, which corporation pays taxes upon its property, and tax that stock? Suppose a man owned ten shares of that stock. Ought he also to pay taxes on that ten shares?

Mr. DOTY: He said yes, but he couldn't tell why.

Mr. SHAFFER: He said something about bonds, but what about the stock in the institution?

Mr. JONES: I say theoretically you ought not to pay on that, and theoretically you ought not to pay on a mortgage.

Mr. DOTY: But stock?

Mr. JONES: Theoretically you ought not to pay on that. Now the question is whether practically you should. Start with this proposition, that all taxes ought to be levied upon property, or that taxes ought to rest upon property held by the individual, and it is all answered by inquiring whether this stock certificate is property.

Mr. DOTY: Are they?

Taxation.

Mr. WATSON: A point of order: One at a time.
Mr. DOTY: He can take care of himself; he does not need your help.

Mr. JONES: I can take care of myself, and I think I can make it plain. I am not radical on the subject.

Mr. DOTY: Oh, no.

Mr. JONES: That all involves a simple proposition. If you start with the proposition that you are going to tax all property, then if this stock certificate is property it ought to be taxed. If the bond is property it ought to be taxed. If the mortgage is property it ought to be taxed, and if a note is property it ought to be taxed.

Mr. DOTY: Is the stock certificate property?

Mr. JONES: Is there any lawyer in this Convention who will say that a stock certificate does not come within the legal definition of property? If there is I would like to hear him.

Mr. HOSKINS: It is not property at all. It is simply an evidence of property.

Mr. JONES: If it is not property, it could not be levied on. Is there anybody who would say you could not levy an execution upon stock in corporations? Is there anyone who would say you could not seize a stock certificate upon execution and put that stock certificate up and sell it?

Mr. WINN: Or replevin it?

Mr. JONES: Or is there any lawyer here who will say you could not replevin a stock certificate and have it appraised by three men and a value put upon it?

Mr. PECK: Yes; a stock certificate doesn't appraise itself at all.

Mr. JONES: But it could be seized on execution?

Mr. PECK: A stock certificate is nothing but an evidence of property, and you would have to go to a court of equity and ask the court to give you an order compelling the corporation to transfer it before you could—

Mr. JONES: But you sell the stock?

Mr. PECK: You cannot sell the stock except you have an order of court.

Mr. JONES: You cannot sell the stock on an execution?

Mr. PECK: No, sir; and you will not find a proceeding for that purpose.

Mr. JONES: Mr. Peck is answering hastily.

Mr. PECK: You are confusing stock and stock certificates.

Mr. HOSKINS: Do you say you can put up a stock certificate and sell it?

Mr. JONES: Yes. Suppose you have a stock certificate and there is an indorsement on it?

Mr. PECK: You don't have any indorsement if you seize it on execution.

Mr. JONES: If that stock certificate is attached as a collateral it is indorsed, and in default of payment you put up the stock and offer it for sale, and it sells and you transfer the title to that stock.

Mr. HOSKINS: You get another piece of paper. But when you sell a horse and don't get another horse.

Mr. JONES: But your stock in the corporation constitutes property that has value.

Mr. SHAFFER: Evidence of property.

Mr. JONES: No further evidence of property than

a note. If I had the books I could give you the exact definitions, and I am sorry that I have not looked up the matter. The courts have settled it.

Mr. PECK: I am not denying that stock is property, but I deny your proposition about legal processes.

Mr. JONES: That admits my whole contention and I do not care to pursue the matter further. It is really not involved in this discussion, and it only came up by the inquiry of the gentleman. What we do want, and what I insist upon by way of change in the constitution, is that all property be made subject to taxation, and that a limit be put upon the rate, and that this exemption of bonds which now exists be taken away, so that there will be no property but what can be reached. One word, and I must close, with reference to the matter of the exemption of bonds. That is more important than some of the other things.

One of the great troubles that now exists, and that has existed, and that will continue to exist with reference to the enforcement of tax laws, is this very question of exemption of municipal bonds. We all know that the amount of tax-exempt bonds reported as being held by individuals is appalling in amount.

Mr. HARRIS, of Hamilton: Why do they have to report them when they are not subject to taxation?

Mr. JONES: Here is a man that you know has money. You know he has a lot of securities and lots of liquid assets. Everybody in the community knows it, and when you look at his tax sheet he has a great amount of municipal bonds. As a matter of fact he has these liquid assets in other forms of securities drawing him more interest than bonds, and he uses the municipal bond dodge as a pretext.

Mr. PECK: Is that an argument?

Mr. JONES: That is a good excuse for the removal of municipal bonds from taxation.

Mr. PECK: Men can lie about anything.

Mr. JONES: If you had municipal bonds not exempt would there be any man in the state who would have the hardihood to say that he had liquid assets in bonds?

Mr. HARRIS, of Hamilton: Would not that man buy United States bonds?

Mr. JONES: Don't we all know he could not?

Mr. HARRIS, of Hamilton: Because all the United States bonds are practically tied up in banks, which own them, as security for their circulation, so that the ordinary man could not get them.

Mr. PECK: There are lots of Ohio nontaxable stocks, millions of them.

Mr. JONES: It would take away opportunity for evasion of taxes by claiming that the money was in municipal bonds; and it would do another thing, it would make the man who owns these bonds do what he ought to do, and what he will be glad to do when the rate is reduced by all of them coming out and being taxed, to wit, pay taxes on those bonds. Now take municipal bonds at five per cent.

Mr. HARRIS, of Hamilton: There are not any.

Mr. DOTY: Where are they?

Mr. JONES: There are lots of them.

Mr. CUNNINGHAM: I would like to have that kindergarten adjourn and allow the Convention to proceed in the ordinary way.

Taxation.

Mr. WATSON: A point of order. A few days ago the chair in addressing myself ruled that I address the chair, and I insist upon that rule being observed now.

Mr. JONES: I am just handed a list of four and a half and five per cent bonds, some being five per cent at par.

Mr. HARRIS, of Hamilton: Will the member from Fayette permit a question?

Mr. JONES: Yes.

Mr. HARRIS, of Hamilton: You say there are bonds bearing five per cent interest. On what basis are they sold? A five per cent bond may be sold on a basis to pay three and a half.

Mr. JONES: And it may be sold at par. We have had some in our section within the last year sold right close to par, a mere nominal premium.

Mr. SHAFFER: What was the matter with them?

Mr. JONES: Some small educational district and township bonds. They had elements that did not make them attractive, and they would not sell at the price that state or county or large municipality bonds would. A man who has municipal bonds at four per cent or four and a half per cent, why ought not he pay taxes on those bonds?

Mr. HARRIS, of Hamilton: Do you not as a practical banker know, and is it not misleading the Convention not to tell them, that when a man buys a municipal bond yielding him only four per cent he is paying the tax of one and one-half in taking the lower rate of interest instead of taking six per cent?

Mr. JONES: He is not paying taxes in any practical form.

Mr. HARRIS, of Hamilton: I say he is taking four per cent instead of six per cent because he does not have to pay taxes on them.

Mr. JONES: Those bonds do not sell to the public generally. The highest class of those bonds are selling at from 3.85 to 3.90, but the individual purchaser cannot get them at that price, but you can get more bonds than anybody can pay for on a four or a four and a half per cent basis. The large banks hold the highest class bonds practically as a reserve. They are almost as valuable to them for the purpose of meeting obligations, if they come suddenly against them, as if they had the money in bank, and that is the reason that character of bonds bear those rates; but take the ordinary average township, county or village bond, and they don't sell at those high rates for entirely different reasons. Now, who buys those four and four and a half per cent bonds? You can get all you want at four and a half and five. I know what I am talking about. They are just as good as any Cincinnati or Cleveland bonds where a person wants to use them simply as an investment. Now, if you make the rate of taxes only one-half of one per cent, would they or should they object to paying taxes on them? Bear in mind one other thing, and then I must close. Where does all this cry for classification and where does all this cry for exemption of bonds come from? Who appears before the legislatures and the constitutional bodies granting these exemptions, for the purpose of securing them? Is it the persons who are going to be benefited, according to the argument, to wit, the other taxpayers? Are they the ones who are making the demand? No; the only persons who ever make the demand for classification are

those who are going to be directly benefited by it. The person who is going to make the demand for the exemption of bonds is not the general taxpayer, not the home owner or the farmer, or the man who is paying for a farm and live stock, but it is the person who has been claiming that you were confiscating his property by attempting to get it upon the tax duplicate. In other words, it is the owner of liquid assets who is making this demand for exemption of bonds; and the men making the demand for classification—take for instance, the parties asking for mortgages to be exempted, and who are they? Is it the farmer or the man who is borrowing money or the home owners, who are paying taxes on their visible real and personal property? No, sir; it does not come from them, but it comes from the parties who want to get a class of securities that are good, that they can put their liquid assets into and thus escape taxation.

Mr. HALFHILL: Do you not know that at the time the campaign was being prosecuted to get that constitutional amendment submitted that the mayors and the city organizations of the municipalities of the state of Ohio took an active interest, appeared before the legislature and were the real sponsors for putting that up and getting it submitted to the people?

Mr. JONES: I know this, that at least some persons in Ohio that were engaged in the banking business, and engaged in furnishing investments to other parties, were among those greatly interested, and I have been engaged in the business for the last thirty years of furnishing investments in large amounts to other parties, amounting to millions in the total, and one of the first persons that came to me to speak about getting that exemption matter through was a banker who was greatly interested in the handling of the liquid assets of the community.

Now, I am like Judge Peck in regard to this matter. Personally my interests would all lie in the other direction. I have been appealed to since being in this Convention, that I was ruining my own bank, that I would drive customers away from the bank, that we had customers who want these intangible assets, and who will not pay taxes on them, that I was injuring myself, but I am like Judge Peck in that matter. I cannot represent the people who are interested in the People's & Drovers' Bank. I cannot represent the people I have helped as my clients in making investments. I am looking out for the interests of the people of the whole of my county and the state of Ohio now, whom I promised when I came here to do what was for the benefit, not of the few, but what was for the benefit of all the people as nearly as I could ascertain it, what was for the good of the whole people, or at least the greatest number of them, and I believe, in the interest of the greatest number of the people, that bonds ought to be restored as subjects of taxation; and I believe that every form of property and every person ought to bear their fair share of the burdens of taxation; and whenever it is written in the constitution that property of the man who has invisible assets will not be confiscated by taxation, nine out of ten will voluntarily come up and do their duty, and I do not care about the other one-tenth, for they might not do their duty under any circumstances.

Mr. HURSH: I had not intended to say a word on this proposition, but in view of the fact that there are two propositions involved, I do wish at this time to

Taxation.

say a little something upon the subject. I presume I, like a great many others, came here with a closed mind in regard to the proposition of taxation. As nearly all of you know, I am in favor of the uniform rule of taxation, and in saying that I believe I am saying it for ninety-five per cent of my constituents. I need not add any argument to what has been given in favor of the uniform rule of taxation. Plenty has been said upon that subject on both sides, but in talking with my friends and other members of the Convention, I find that, even among us who are known as in favor of the uniform rule of taxation, there is a diversity of opinion and considerable doubt as to whether it is expedient, whether it is just the thing to do, to incorporate into the organic law a limitation of taxation. We are all aware that the Smith one per cent law has only been in operation six months, and we have a very limited knowledge of whether it will work out practically, and it needs time to demonstrate whether that is going to be as successful as we all hope it will be. However, it does not involve the principle of uniform taxation by omitting the limitation from the constitution, and upon that point I wish to say as I did a few days ago that I came here not knowing very much about the cities' problem. I came here with the intention of giving the cities home rule, and if they knew what their problems were and could frame a proposition that was satisfactory to the cities, then it would probably be our duty to give it to them. I think the final vote upon the home rule proposal was a demonstration in itself that this Convention was willing to give the city government and city affairs over to the cities themselves.

Now I come to another point, or rather another place, in the proceedings of this Convention, in which I am somewhat in doubt. To whom must I turn? I have been told by the city members of this Convention that the proposal we are putting through here is crippling them and will cripple them in carrying out their ideas of reforms in city government. If this is the case, I guess it has already been demonstrated that we people who are in favor of home rule and have favored uniform taxation have the whole situation in our hands. We can do with this proposition just as we please. That has been demonstrated. And after all can we not afford to be generous to a vanquished enemy, and may it not be better that we concede that much to our city members in a spirit of fairness and not put this limit in the constitution? I have reason to make this statement to my friends on this side of the question, and in order that I may carry out my ideas effectively I move that the Winn amendment be now tabled.

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

The PRESIDENT: The question is, "Shall the amendment offered by the delegate from Defiance [Mr. WINN] and that of the delegate from Cuyahoga [Mr. FACKLER] be laid upon the table?"

Mr. WOODS: A point of order.

The PRESIDENT: State the point.

Mr. WOODS: Was not the last vote on that proposition?

The PRESIDENT: Yes.

Mr. WOODS: Then it is out of order.

The PRESIDENT: The motion is entirely in order.

Mr. WINN: A point of order.

The PRESIDENT: State it.

Mr. WINN: The motion made to table this amendment and the amendment to it was voted down a while ago. Nothing has been done on the matter since, and its status has not been changed at all.

The PRESIDENT: The point seems to me to be not well taken. The question is, Shall the amendment lie upon the table? and the yeas and nays have been demanded.

The yeas and nays were taken, and resulted—yeas 51, nays 46, as follows:

Those who voted in the affirmative are:

Anderson,	Halenkamp,	Matthews.
Antrim,	Halfhill,	Mauck,
Bowdle,	Harris, Hamilton,	Miller, Ottawa,
Brown, Lucas,	Harter, Stark,	Peck,
Campbell,	Hoffman,	Read,
Cassidy,	Hoskins,	Redington,
Cordes,	Hursh,	Roehm,
Crosser,	Johnson, Madison,	Shaffer,
Davio,	Johnson, Williams,	Stewart,
Doty,	Jones,	Stilwell,
Dunlap,	Kilpatrick,	Stokes,
Fackler,	Knight,	Taggart,
Farrell,	Kramer,	Tannehill,
Fess,	Lampson,	Tetlow,
FitzSimons,	Leete,	Thomas,
Fox,	Leslie,	Ulmer,
Hahn,	Longstreth,	Mr. President.

Those who voted in the negative are:

Baum,	Harris, Ashtabula,	Peters,
Beatty, Morrow,	Henderson,	Pettit,
Beyer,	Holtz,	Pierce,
Brattain,	Keller,	Price,
Brown, Pike,	Kunkel,	Riley,
Cody,	Lambert,	Rockel,
Collett,	Ludey,	Shaw,
Colton,	McClelland,	Smith, Geauga,
Crites,	Miller, Crawford,	Stalter,
Cunningham,	Miller, Fairfield,	Stevens,
DeFrees,	Moore,	Wagner,
Donahay,	Norris,	Walker,
Dunn,	Nye,	Watson,
Earnhart,	Okey,	Winn,
Fluke,	Partington,	Woods.
Harbarger,		

So the motion to table was carried.

Mr. LAMPSON: I desire to offer an amendment which the secretary has. It was written to apply to the amendment of Mr. Fackler, and I ask permission to have the secretary change it to make it apply to the pending amendment to the proposal. It will be easily understood.

The amendment was read as follows:

Amend the amendment of Mr. Anderson to Proposal No. 170 as follows:

At the end of the amendment add the following:

SECTION 9. The maximum rate of taxes that may be levied for all purposes shall not in any year exceed twelve mills on each dollar of the total value of all property, as listed and assessed for taxation, in any taxing district wholly outside of municipalities and not to exceed fifteen mills, exclusive of sinking fund and interest charges, in any taxing district wholly or partially within municipalities. Additional levies, not exceeding in any year a maximum of five mills, for all purposes, on each dollar of the total value of all the

Taxation.

property therein, as listed and assessed for taxation in any taxing district, may be levied when such additional levies are authorized by a majority vote of the electors voting thereon at an election held for such purpose.

Mr. LAMPSON: The maximum limit is fixed at twelve mills in taxing districts wholly outside the municipalities, and not to exceed fifteen mills, exclusive of sinking fund and interest charges, in any district wholly or partially within municipalities, and an additional five mills applicable to all districts upon a vote. Now, it is plain that the necessities for municipalities for taxes are greater than for country districts, so that the excess allowed in the municipalities is three mills greater than that allowed in the country taxing districts, and the fifteen mills limitation in the municipality is exclusive of sinking fund and interest charges. The courts would undoubtedly hold that way in Ohio, for they have held that in the ten-mill limitation in the Smith law. I think the fundamental difference in the necessity of the country and the city districts should be recognized if we are to place a limitation at all upon the taxing power of the various taxing districts, and I do not think a constitutional limitation ought to be down to bare living limit. This does not interfere with the law as it stands. The law is still there until the legislature modifies it. But a constitutional limitation ought not to be right down to the bare limit of levying taxes to meet the necessities of any taxing district. There should be a little leeway for the exercise of judgment on the part of the legislature. It happens in my county right now, in a little country district, that the state is furnishing money to help support their schools because they had to close them down on account of the ten-mill limit, and at Ashtabula Harbor they borrowed \$20,000 in a special school district to pay the current expenses of a school district for this year.

Mr. Brown, of Lucas, was here recognized by the president.

Mr. BROWN, of Lucas: I desire to offer an amendment, but I think I would prefer to have this disposed of first.

Mr. DOTY: Of course the member's amendment is very much better than anything we have been considering, but the argument he puts up ought to make plain to you the utter folly of one hundred and nineteen men today fixing a tax limit for any part of this state twenty-five years from now, or any other time from now. He called your attention to the fact that even right now an important school district of his own county has been compelled to borrow money to pay current expenses on account of the limitation put upon that community by the legislature, and now we are called upon to fix a limit, not one that can be changed easily, as the Smith law can by the legislature, but for all time. Who is there in this Convention who is wise enough to say what the tax rate ought to be in Ashtabula Harbor ten years from today? The man does not live. As I tried to point out last night, and I am not going to make my speech over—I just want to call your attention to this, that nobody including the member from Fayette, has yet answered my argument, that the tax rate is not a cause, but is an effect. The tax rate is the result of dividing one thing by another. Taxes are not high or low because of the tax rate. Taxes

are high or low by reason of the necessities of the civil division expending the money, and when I say necessities I mean, of course, necessities including the mistakes which public officials sometimes make. There are not many, as the gentleman from Fayette said, but there are mistakes, and those are human and occur under any system, but here is the situation, we are attempting to fix something that ought not to be fixed, a thing that is the result of dividing the necessities by the wherewithal, or the wherewithal by the necessities, and that is a variable result. Both of those factors vary. There is not a time when one or the other or both do not vary. You cannot help that. Now you are attempting to put a factor in the constitution and fix it for all time when we know it is the result of two things, either or both of which may vary every year. It is perfectly preposterous for us to sit here and attempt to say what the tax rate of Ashtabula Harbor ought to be ten years from now.

Mr. DWYER: The idea you suggest in the past has been most vicious, as I have observed for many years. We levy a rate in cities as high as three per cent. Then comes the decennial appraisalment, and possibly eight or ten millions of property are put on the duplicate the next year, and the same old rate will go right along, no matter how much the duplicate has been added to. They will always find a way to spend it. I am in favor of cutting down that arbitrary way of doing things which has been so bad in the past that we ought to have some limitation.

Mr. DOTY: I agree that there has been much abuse of this situation. The member is right. But this plan does not meet the whole situation. It simply makes our situation that much worse. We are attempting to fix a wrong thing, and if you will put a limitation upon what sum shall be expended—while I would not agree that that ought to be done—there is more reason to say that should be done than the way now suggested.

Mr. DWYER: If they cannot get it, they cannot spend it.

Mr. DOTY: They cannot get it because they cannot get it. If we didn't need something to run the government there wouldn't be any taxes. We do need a certain amount of money. That there is certain extravagance is true, but people can stop that.

Mr. DWYER: They have not stopped it.

Mr. DOTY: But we do not pay rates, but money. The tax rate is not what we pay. We pay money, and that amount of money that we pay is commensurate with what we have to pay as far as living expenses are concerned.

Mr. DWYER: I think you are too ethereal.

Mr. DOTY: I have been charged with been theoretical, and I am charged with being ethereal. Now, there is no rule about that. It is just a mathematical problem. The amount is fixed by the amount you spend. The amount is fixed by the amount of property you have. Now is it not true to get at the rate you must divide the amount spent into the amount you have on which to raise the money? And yet we have gotten into the habit of worshipping the rate instead of looking at what we spend!

Mr. DWYER: With our present rate everything is provided for, and I think we ought to have the limitation on the rate continued and fixed.

Mr. DOTY: In order to bring matters to a direct

Taxation.

issue on this amendment, I move to lay it on the table, and on that I demand the yeas and nays.

Mr. DOTY [after consultation with members]: I withdraw that demand.

Mr. LAMPSON: Then I move the previous question.

Mr. DOTY: I now renew the motion to lay on the table.

Mr. PECK: I second the motion.

Mr. WATSON: That motion to lay on the table is too late.

Mr. DOTY: No; it is not. It takes precedence over the motion for the previous question.

Mr. LAMPSON: I demand the yeas and nays on that.

The yeas and nays were regularly demanded; taken and resulted—yeas 41, nays 54, as follows:

Those who voted in the affirmative are:

Antrim,	Halfhill,	Redington,
Bowdle,	Harris, Hamilton,	Roehm,
Cassidy,	Harter, Stark	Shaffer,
Cordes,	Hoffman,	Smith, Geauga,
Crosser,	Hoskins,	Stalter,
Davio,	Hursh,	Stevens,
DeFrees	Johnson, Williams,	Stewart,
Doty,	Kilpatrick,	Stilwell,
Farrell,	Knight,	Stokes,
Fess,	Kramer,	Taggart,
FitzSimons,	Leslie,	Tetlow,
Fox,	Mauck,	Thomas,
Hahn,	Peck,	Ulmer.
Halenkamp,	Read,	

Those who voted in the negative are:

Baum,	Fluke,	Miller, Ottawa,
Beatty, Morrow,	Harbarger,	Moore,
Beyer,	Harris, Ashtabula,	Nye,
Brattain,	Henderson,	Okey,
Brown, Lucas,	Holtz,	Partington,
Brown, Pike,	Johnson, Madison,	Peters,
Campbell,	Jones,	Pettit,
Cody,	Keller,	Pierce,
Collett,	Kunkel,	Price,
Colton,	Lambert,	Riley,
Crites,	Lampson,	Rockel,
Cunningham,	Leete,	Shaw,
Donahey,	Longstreth,	Tannehill,
Dunlap,	Ludey,	Wagner,
Dunn,	Marshall,	Walker,
Dwyer,	McClelland,	Watson,
Earnhart,	Miller, Crawford,	Winn,
Fackler,	Miller, Fairfield,	Woods.

So the motion to table was lost.

Mr. LAMPSON: I had a motion for the previous question, but I will withdraw that.

Mr. PECK: I move we adjourn.

Mr. BROWN, of Lucas: I understood the chair recognized me.

The PRESIDENT: The chair did recognize the gentleman from Lucas.

Mr. BROWN, of Lucas: I offer an amendment.

The amendment was read as follows:

Amend Proposal No. 170 as follows:

In line 10 after the comma following the word "purpose" insert the following: "real estate when occupied as a bona fide homestead by the owner thereof, to an amount not exceeding in value one thousand dollars."

Mr. BROWN, of Lucas: I am now willing to yield the floor for a motion to recess, but I want to have the privilege of being heard when we reconvene.

Mr. LAMPSON: I move that we recess until 7:30 o'clock tonight.

The motion was carried, and the Convention recessed.

EVENING SESSION.

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

Mr. STEWART: I move a call of the Convention.

The VICE PRESIDENT: A call of the Convention is demanded. The sergeant-at-arms will close the door, and the secretary will call the roll.

The roll was called; when the following members failed to answer to their names:

Anderson	Harter, Stark,	Rorick,
Beatty, Wood,	Kehoe,	Shaffer,
Brown, Highland,	Kerr,	Smith, Hamilton
Cunningham,	King,	Solether,
Dunn,	Leete,	Stalter,
Dwyer,	Malin,	Stamm,
Eby,	Marriott,	Tallman,
Elson,	Miller, Fairfield,	Weybrecht,
Evans,	Norris,	Wise,
Farnsworth,	Peck,	Worthington,
Halfhill,	Price,	Mr. President.
Harter, Huron,		

The vice president announced that eighty-five members had answered to their names.

Mr. WOODS: I move that further proceedings under the call be dispensed with.

The motion was carried.

Mr. BROWN, of Lucas: I yield to Mr. Stewart.

Mr. STEWART: I am inclined to believe that there is no question of constitutional law or statute law that in its last analysis will not have some bearing somewhere upon the subject of finance or taxation. For this reason a discussion of this question will take a wide range.

It is my desire to speak upon only one phase of this question, which I think is pertinent to the question now before the Convention.

I believe that the only way to keep down the tax levy is to keep down the expense.

The over-willingness with which political subdivisions are disposed to go into debt, resulting in the piling up of great sums of bonded indebtedness, has reached a condition which, unless checked, portends nothing but financial disaster. The piling up of bonded indebtedness for the distant future to pay has, strange to say, met with ready and popular approval.

It is time that a warning should be sounded, and I sincerely hope that this Convention will lay down some rule which will absolutely govern the creation and the time of payment of all public debts. Because of this enormous growth of bonded indebtedness it has become a most important question to determine the best and safest method for its control and liquidation. To this end and purpose I beg the indulgence and attention of the Convention for a brief discussion of this question. There are two methods.

One is known as the "sinking fund;" the other as the "partial-payment plan."

Taxation.

To say that there are advantages in both systems is true, but I believe the greater merit is in the partial payment plan.

The sinking fund is designed to hold the accumulations of money raised by taxation to meet debts which fall due at some future date. If this fund were always wisely and honestly handled there would be no objection to it. It is sound in theory, but it cannot be placed beyond the "pale of human weakness," and because of this there is always some speculation and doubt as to its ultimate outcome. I believe that no debt should be created unless a part of the principal is paid each year, together with the annual interest that is due. The history of sinking funds is that they have too often failed.

As to the reasons:

First. Because the officers are of varying degrees of efficiency, integrity and ability — some dishonest, some incompetent.

Second. Unwise or unfriendly legislation may deplete the sinking fund.

Third. It has been charged that the sinking fund perpetuates a "system" and gives "opportunities" in buying and selling bonds and the investment of funds for commissions and bonuses on the side.

Fourth. Sinking funds are often depleted and the proceeds diverted from the purpose for which they were intended.

To illustrate: The English government for over one hundred and fifty years tried to have a sinking fund, with more failure than success. To quote an English author (Sargent, page 28):

The very name of a sinking fund has become unpopular and is regarded even by judicious men as a word of reproach; so that to pronounce any scheme to be a sinking fund is to say that it is worse than Eutopian; that it is something like a swindle on the public.

The first sinking fund was established in 1716 under Walpole, and set apart, as a "sacred trust never to be touched" to meet the principal and interest of the national debt, and to no other use, intent or purpose whatsoever, so the law read. But notwithstanding this it was employed to meet current expenses.

Gladstone, Beaconsfield and many others of lesser note tried schemes to perfect and establish a permanent sinking fund, but all fell short of their expectations because either later legislation interposed and diverted the funds, or the demands of war and extraordinary expense depleted the fund. Whenever there was money in the sinking fund and extraordinary conditions came about, they always drew on the sinking fund rather than raise by taxation the money that was needed for present use.

The party in power would proclaim the fact that they financed a war, made some great public expenditure, some great public improvement, and never raised the taxes. Then again, a succeeding administration, for political purposes and false economy, would reduce the sinking fund levy. This is where unfair and unfriendly legislation can come in. These changing conditions made the term "sinking fund" one of reproach. The payment of the debt was not the point. The desire for party prestige looked only to keeping down the rate of taxa-

tion by providing payment for only the interest and letting the future generations take care of the principal.

In the United States the sinking fund appeared in the treasury accounts in 1868. Under the law one per cent of the debt was to be paid each year. Explicit as this has been the secretaries of the treasury have exercised their own discretionary powers and suspended the operation of this law so that today the treasury owes the sinking fund over \$500,000,000. I mention this to show historically that the sinking fund is depleted even in this country, where it was supposed to be held in trust and administered according to special laws.

In municipalities it is even worse. Many laws have been passed tending to make the sinking fund safer, but laws do not always control the frailties and weaknesses of those who have control over those funds.

I would place the debt-paying obligations outside of the pale of the incompetent or dishonest official.

I would make the payment of debt under a rule laid down as a constitutional requirement, that those who buy bonds must know that the recital on the face of the bonds must comply with the constitutional requirements.

Then and not till then will the payment of public debts be placed on a safe basis.

One of the great hardships that is imposed upon municipalities is that officials will issue bonds to fall due in a sum total at some future time. By this method they go on piling up indebtedness, making no provision to pay the principal, but only meeting the interest each year, till there comes a time when it takes all the money that can be raised by taxation to meet the interest and leaves nothing to pay the principal.

You say that they are criminally liable in not providing for the principal and interest. So they are, but what are you going to do when the sinking fund trustees who were derelict to their duty have perhaps years before passed out of office, and others, equally derelict, have in turn succeeded them and then in turn been succeeded by others? A situation that will permit conditions like these to come about is vicious and bad. To add further to the iniquity of the situation the proceeds of the bonds have often been used for purposes for which they were never issued. To illustrate: I know a community which refunded its bonded indebtedness and placed the maturity of the entire issue at a future date. The amount was for \$30,000. Today it is several years before the bonds will fall due, and that municipality has spent about \$40,000 for interest and not one cent of the principal has been paid.

I know another town where it takes over half of its public revenue to meet its interest charge. In other words, it takes more money to meet the interest charge than for all other public expenditures put together. Only the fixed interest charge and the running expenses can be met. They are at the limit of their levy and cannot make provision to pay one cent of the principal.

A system of law that allows such conditions to come about is vicious and bad. I believe no debt should be created unless some provisions are made that will make it mandatory to pay some portion of the principal each year.

Mr. FACKLER: Would you make that limit of taxation right in the constitution so that the municipality could not possibly liquidate its debts?

Taxation.

Mr. STEWART: Wait until I get through, and then if I have any time I shall be glad to answer your question.

I believe that it should be obligatory by constitutional provision. Then those who buy bonds will take notice that the constitutional recitals have been complied with. As it is the recitals on the face of the bonds that all the statutory requirements have been complied with, and that an examination of the transcript of the council proceedings has been made showing formal and regular proceedings, will always make a bond valid in the hands of an innocent purchaser, when they may have violated the law in the recitals on the face of the bonds (such as issuing for some certain purpose when the money was devoted to another use), and also when the transcript would not disclose the real facts and proceedings of the council. Council proceedings have been doctored in the past and will be in the future.

I am in favor of a constitutional requirement making it obligatory that some portion of the principal be paid annually. Let me mention the requirements of another state: In Colorado the various municipalities are required to report and have registered all bonds issued, and the county auditors are compelled to levy annually a tax to meet some portion of the principal and interest.

Another grave fault in not having annual payments is that it is unfair to issue bonds that will not fall due until after the original improvement may be "dead and gone." It is unfair to have a bond issue all fall due at the same time. It is bad practice to get in the habit of always refunding and never paying any of the principal. Cities and villages do this, while if an individual "always renews" and never pays, his credit will soon be at a discount.

Take a municipal water plant, a municipal electric light plant, wherein the bonds all fall at a future date, all at the same time. You may have a worn-out plant before it is time to pay the bonds. Then it is more bonds to improve the plant.

It would be wrong to allow a condition to exist that will force the people thirty or forty years from now to meet the whole burden of paying off a debt which will represent at that time, not the newly installed and well-equipped plant, but a plant thirty to forty years old, worn out and obsolete.

It is by such shortsighted methods that municipalities get into such deplorable financial conditions. You say that it is criminal if we do not guard carefully the sinking fund. That is true. Of course, they violated the law.

Each newly elected council may bring in a new sinking fund commission. Each in turn, designedly or ignorantly, does what its predecessors have done, whether it be legal or not, so in a few years you have a large portion of the citizenship of that community who are parties to this violation of law. Then what are you going to do?

I will concede the fact that in some of the larger cities their sinking funds are managed all right. This is because the cities are in the center of large financial districts; have better opportunities for investment, both in buying securities for investment and in selling same, when they have to meet maturing bonds. They also have a better opportunity to place men on the sinking fund board who are schooled in handling financial matters. But the smaller municipalities of the state have limited opportunities for investment. Their meagre experience

in handling financial matters, their narrow limit for the sale of securities that must be sold to meet maturing bonds, puts them at a disadvantage in handling the sinking fund even if they are honestly disposed to comply with the law, while if they are mercenary the sinking fund may be plundered. How can this be done?

1. By making no levy.
2. By using the sinking fund to meet general expense.
3. For political purposes, by lowering the levy to only enough to pay for the interest, leaving the future to pay the principal.

Such practices as these have prevented the one per cent Smith law from being a greater success than it has been.

The only way to "sink" a debt is to pay it.

Make your sinking fund one of partial-payment rule, then there will be no uncertainty as to what is due and when it is due. In this way you reduce the principal annually and also the interest charge.

Now, as to the methods that I would suggest as to the amount that should be paid each year. I recognize that cities are often called upon to make large bond issues to cover the cost of some public improvement, and in this they have to build for the future. A city's future is fixed. It is a center of trade, manufacturing and all kinds of commerce. It, when building, has to take into consideration the city's future growth, and must necessarily make its improvements far beyond its present needs, such as extensive water works, extensive electric light plants. This being the case I can see where their bond issues should run a longer period and why future generations should pay their share of the debt. On the other hand, the growth of the smaller municipalities of the state is uncertain; they are prosperous today and on the decline tomorrow. For this reason they should not be allowed to incur long-time indebtedness.

To adjust properly the situation between these two extremes, I would say that not less than two per cent of each bond issue should be paid off each year. This would make a bond issue run fifty years, meet the requirements of cities as to long-time issues and at the same time would place smaller communities upon a basis of paying annually some portion of their indebtedness. As it is many smaller municipalities provide only for the interest and make no provision for the payment of the principal.

Personally, I think that all smaller municipalities should pay from five to ten per cent of their debt each year, but to take care of the extraordinary conditions that often overtake growing cities I am willing to place the amount at two per cent. It is the absolute requirement that some portion of the debt be paid each year for which I contend.

No other single thing that this Convention might do will accomplish more to place all political subdivisions of this state on a solid financial basis than this one thing of forcing the payment, each year, of some certain portion of its public debt.

I hope that the Convention will see the wisdom of the partial-payment plan and write it in the constitution. There it will be beyond the whim or caprice of legislative bodies. The partial-payment plan will work automatically. There can be no mismanagement, dishonesty or

Taxation.

manipulation. Neither can any unwise or unfriendly legislation interfere.

It is safe to say that the greatest evil in any debt is in having to pay the debt over and over again in the form of interest and never paying any part of the principal.

The desire on the part of tax-levying bodies to make a good showing in keeping down the levy causes them to resort to illegal drafts on the sinking fund to meet general expenses. There can be no juggling of funds for political purposes or for dishonest practices. While the sinking fund may be administered with profit, it may be plundered. It may be incompetency, it may be dishonesty, it may be in the loss of securities held, but the fact remains that there is always a possibility of loss in the sinking fund.

With the partial-payment plan there can be no loss or diversion of the funds. Which system will you have, one that shows sometimes a profit and sometimes a loss, or a system that admits of no loss whatever? The success of the sinking fund depends entirely on the honesty, the integrity and the clear business judgment of the officers in charge, regardless of the laws that are devised to protect said fund, while with partial payments, no matter whether the officers in charge are honest, dishonest or incompetent, the payment of principal and interest cannot be avoided. You should provide for the payment of some part of the principal each year, because great progress is being made in perfecting and improving machinery every day, which often makes a plant obsolete in a few years. You should force a gradual payment of the debt, so that, while you are wearing out your plant or improvement, you at the same time are wearing out your debt.

Let me illustrate the partial-payment plan by the good roads bond issue as suggested by the printed example which you all have seen. There a debt of fifty millions was to run for thirty-five years, and in the end would amount, principal and interest, to \$86,570,000, while, if you will put the good roads bond issue on the partial-payment plan, according to the plan which I have worked out, you pay off the debt in twenty-five years, instead of thirty-five years, and save \$17,320,000. Under the twenty-five-year partial-payment plan, your average rate is four hundred and sixty-one one-thousandths of a mill; under the thirty-five-year plan your average rate is four hundred and thirteen one-thousandths of a mill, a difference of only forty-eight one-thousandths of a mill as to the average levy. In other words, the partial payment plan on each \$1,000 of taxable property involves a payment of only four and eight-tenths cents more each year, but pays off the entire debt in twenty-five years and saves \$17,320,000.

I want to put a limit to the authority to spend money. Force a payment of some portion of your public debt each year and the people will take care of the levy.

At the proper time I shall offer an amendment providing for the addition of the following section:

No bonded indebtedness of the state, or of any political subdivision thereof, shall be incurred, unless at least two per centum of such indebtedness is paid each year, together with the annual interest on such bonded indebtedness.

Mr. BROWN, of Lucas: I shall be very brief in this matter. I will read the clause as it would read if the amendment I suggested is adopted. It is the exemption clause of the present constitution. The language that is important starts out as follows:

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, real estate when occupied as a bona fide homestead by the owner thereof, to an amount not exceeding in value one thousand dollars and personal property, to an amount not exceeding two hundred dollars, for each individual, and deductions of bona fide debts from credits, may by general laws, be exempt from taxation.

Mr. DWYER: Is the word "cemeteries" in that?

Mr. BROWN, of Lucas: "Burying grounds." The only change I made from the exemptions in the present constitution is to add the words "real estate when occupied as a bona fide homestead by the owner thereof, to an amount not exceeding in value one thousand dollars." This provides that that may by general laws be exempt. Now bear in mind under the present constitution and under the language employed in both the minority report and the Anderson substitute the exemption is permissive only. The general assembly may, if it sees fit, by general law, make these exemptions, and those laws may at any time be repealed, and the policy of the state in that particular may be reversed. What I am trying to do is to take the burden from home-owners to encourage home-owning. At the present time a thousand-dollar homestead is exempt from execution and is exempt from every debt except for taxes. You may have your home and it shall not be taken away from you unless you fail to pay taxes, and then it may be confiscated piecemeal by the state. Now the purpose of the homestead exemption is to save a man who is not able to pay his debts to the public from being a public charge. The theory is that it is better to owe some one person debts up to \$1,000 than to be supported by the public and be a pauper.

Mr. HOSKINS: I didn't catch the reading of that amendment exactly. Does that permit the exemption of a homestead regardless of value? Suppose I live in a homestead worth \$10,000?

Mr. BROWN, of Lucas: The first \$1,000 could be made exempt by the general assembly. The general assembly could exempt \$1,000, and then if I owned a \$5,000 homestead it would be exempt only to the extent of \$1,000, and \$4,000 could be levied on.

Mr. STOKES: You are proceeding under a different rule of exemptions than obtains as to executions.

Mr. BROWN, of Lucas: In what particular?

Mr. STOKES: The home is exempt from execution up to \$1,000?

Mr. BROWN, of Lucas: Yes.

Mr. STOKES: But if the home is worth \$10,000 you can take the whole home.

Mr. BROWN, of Lucas: The \$1,000 would be saved to the man who has a \$1,000 home.

Mr. HALFHILL: If I understood the purpose of your amendment correctly, the legislature could frame a

Taxation.

law whereby it would only grant that exemption to the small owner and make it exclusively apply to the small home-owner.

Mr. BROWN, of Lucas: The general assembly, under this language, could exempt any amount by way of homestead, not exceeding \$1,000, and I have no idea that the general assembly could exempt the full \$1,000 at the start, and perhaps never. It might not be considered the part of wisdom to do it. The reason I said \$1,000 is because the exemption law exempts from every other claim, except the claim of the state, \$1,000 of the homestead owner.

Mr. REDINGTON: Do you not think that that language would exempt that \$1,000 without any act of the general assembly?

Mr. BROWN, of Lucas: I think not. I think the general assembly would have to frame the law. I cannot think of any principle upon which you are going to exempt a homestead from execution and yet allow it to be confiscated by the state for taxes. The principle under which the property is exempt from execution is sound enough and broad enough to justify us in keeping the man from losing his home on any obligation. As I have said the theory on which the \$1,000 is exempt on general obligations is if you do not exempt it the man may become a charge on public charity, and the same would apply if the state takes his property for taxation. What is the class of citizens you want to encourage? Is it the man who lives in a rented house or is it the man who lives in his own property? Which citizen is the best citizen for his state, the one who moves the first of every month or the one who is rooted to the soil? Which citizen is it that throws tin cans in the street and paper on the pavement and lets the property he is using go to rack and ruin; is it the man who owns it, or the one who rents it and stays in it until it becomes such a nuisance that he can stay no longer? I say to you that in my opinion we cannot do anything which will be better calculated to make our state happier and more prosperous and sound politically and sound morally and sound socially than to encourage home-owning, to place a premium upon the home-owner. At the present time \$200 is exempt to a man, if he wants it, in personal property. He does not have to pay taxes on that, but if he puts it in a home it has to pay taxes. I say to you that encourages men not to own homes, but to live in rented property and to get their money in personal property. This suggestion, if adopted and if the general assembly sees fit to carry it into effect, and the governor sees fit to approve it, and some of you do not see fit to circulate the initiative and referendum petition against it, will encourage our people to become home-owners, and the man who lives in his own home would be relieved from taxation, but the man who lives in a rented house will have to pay taxes on the rented house because the landlord puts that in the rent. In my judgment this will encourage home-owning. I believe this will be a very popular matter to put into the work of this Convention, and if the general assembly and the governor and the people in their collective wisdom under the referendum shall see fit to let it go into effect no harm will be done.

Mr. HARRIS, of Hamilton: Would it not have the further advantage of encouraging the ownership of small farms?

Mr. BROWN, of Lucas: Certainly it will, and little garden patches, and everything of that nature.

Mr. WOODS: I want to demand the previous question. This proposal has not yet been engrossed. We have been talking about amendments on it for a couple of days, and it has not yet reached that stage. Now I think it should be brought to that stage. It will not prevent future amendments being made. If the previous question is demanded you will vote on the pending amendment, and that will take it over two days for second reading. For that reason I demand the previous question.

Mr. HALFHILL: I renew my request made this morning for the privilege of the Convention for a statement.

The VICE PRESIDENT: The vice president cannot allow debate at this stage.

Mr. HALFHILL: I ask the privilege of the Convention.

The VICE PRESIDENT: As to whether it is the privilege of the Convention the Convention will have to decide. If there is no objection Mr. Halfhill may speak on what you may deem the privilege of the Convention, although the previous question has been ordered.

Mr. PECK: Not ordered, but demanded.

Mr. DOTY: I move that the member from Allen [Mr. HALFHILL] be allowed to make any statement he desires.

The VICE PRESIDENT: The vice president cannot allow that motion because the previous question has been called.

Mr. LAMPSON: I ask unanimous consent that the gentleman from Allen [Mr. HALFHILL] may make his statement.

Mr. COLTON: I second the motion heartily.

The VICE PRESIDENT: Is there any objection? If none, Mr. Halfhill has the floor.

Mr. HALFHILL: I want to recall the situation here, the same thing I called the attention of the Convention to this morning, when, immediately upon convening, after the president had recognized the member from Scioto [Mr. EVANS], the member from Guernsey [Mr. WATSON] was on his feet to demand the previous question. I inquire, what are we trying to do here in this matter? When this question came in before the Convention from the committee on Taxation, it was expressly stated by the member from Cuyahoga [Mr. DORY], and agreed to by the Convention, that we enter into a full discussion of all of the elements of the two reports before us just the same as if upon second reading. We have started out to discuss it in that way. There has been an attempt two or three times since then to seize this question and drag it out of the Convention into the committee room in order to reform something and bring it back here, and move the previous question, and rush it through the Convention. Are we here to treat these questions as men knowing the responsibility we are under? If we are, then do not at this time shut off this debate. Here are matters that ought to be presented by way of amendment, not in a committee room, but threshed out by the Convention; and under the arrangement that was agreed to unanimously we should proceed to discuss these questions that are before us; because I know what it means, and you all know what

Taxation.

it means, if you shut off this debate. You frame up a situation so as to take a vote, and you are violating the confidence that each reposed in the other when we started in to discuss fully this question before the Convention. I submit that it should be discussed right here, and under the arrangement that was made there is no occasion for the previous question, because when we have threshed it out under that arrangement made and understood and agreed to by everybody, we have done the work; and your votes that have been taken from time to time, veering from one point to another, a few coming one way on a motion to lay on the table, and the same motion going the other way at a different time shows that this question is not understood. I know it is not understood in all of its details by the members of this Convention. There are matters involved that I have received much enlightenment upon in these debates, especially today; and there are questions that have not been discussed that I can throw some light upon if I have an opportunity to do so. On a matter that affects us and our children after us, and affects every dollar's worth of property in the state of Ohio, and every industry in the state of Ohio, this greatest question before the Convention, you propose to dispose of by some short-cut parliamentary procedure. I insist that we shall observe the faith, each with the other, that we declared when we started in here, and that we thresh out every feature of this proposal before we proceed by a parliamentary maneuver to put it in such shape that further debate or attempt to add anything by way of amendment before the Convention will be a futile and useless effort.

The VICE PRESIDENT: The presiding officer must state to the Convention that unless the Convention agrees, under the heading of a privilege of the Convention, we cannot go on and debate if the previous question is demanded. Of course, if the Convention says it can be done, I am helpless.

Mr. WOODS: I am not trying to take advantage of anybody, but I cannot for the life of me see how the demanding of the previous question would do that. This previous question does not apply to the final passage on second reading. This proposal has not been engrossed. After it is engrossed it is subject to amendment and debate of all sorts. What I want to do is to get this to a point where it can be engrossed, so that it won't take a two-thirds vote to do anything with it.

Mr. HOSKINS: Did we not pass a motion of the member from Cuyahoga [Mr. Dory] that we would discuss this as if under second reading?

Mr. WOODS: There was a motion of that sort, that we would debate the minority report and the majority report as if on second reading. We disposed of the majority report, and the minority report is before the Convention. I think we made a mistake in not engrossing the report at the time, but I do not want to take any advantage of anybody. I want everybody to do all the talking he wishes to do, but I cannot understand why we cannot engross this, and get along to the usual step.

Mr. MAUCK: My understanding is that we are on the Anderson amendment. You ought not to pass on this in the absence of the delegate from Mahoning. The Anderson amendment would have to be disposed of before the bill could be engrossed.

The VICE PRESIDENT: The question is not on

the Anderson amendment, but on the engrossment of the minority report. The proposition is simply one of engrossment, and the motion is made for the previous question.

Mr. DOTY: A parliamentary inquiry. Of course, the pending amendment must be disposed of before the engrossment?

The VICE PRESIDENT: That is not binding.

Mr. DOTY: Yes; it is. How can you engross anything while amendments to it are pending?

Mr. MAUCK: May I ask what is going to be engrossed while the amendments are pending?

The VICE PRESIDENT: Whatever the Convention decides.

Mr. LAMPSON: The proposal is—the presiding officer wants to know whether you want this thing to continue when there is a way out of the parliamentary tangle?

DELEGATES: No.

The VICE PRESIDENT: The question before the Convention is on the previous question.

Mr. PECK: On what?

The VICE PRESIDENT: On engrossment.

Mr. WINN: This is my understanding, that if the previous question is ordered, then the first question will be upon the amendment of the gentleman from Lucas [Mr. BROWN]; then upon the next amendment, then on engrossment.

Mr. DOTY: That is right.

Mr. WINN: And then it is open to amendment?

The VICE PRESIDENT: That is right. The question is, Shall the debate now close?

The yeas and nays were regularly demanded.

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

Those who voted in the affirmative are:

Antrim,	Johnson, Williams,	Read,
Baum,	Jones,	Riley,
Beatty, Morrow,	Kunkel,	Rockel,
Beyer,	Lambert,	Shaw,
Brattain,	Lampson,	Smith, Geauga,
Brown, Lucas,	Longstreth,	Stalter,
Brown, Pike,	Ludey,	Stevens,
Collett,	Marshall,	Stewart,
Crites,	Miller, Fairfield,	Tannehill,
DeFrees,	Miller, Ottawa,	Tetlow,
Fluke,	Moore,	Wagner,
Fox,	Partington,	Walker,
Harbarger,	Peters,	Watson,
Harris, Ashtabula,	Pettit,	Winn,
Johnson, Madison	Pierce,	Woods.

Those who voted in the negative are:

Bowdle,	FitzSimons,	Leslie,
Cassidy,	Hahn,	Mauck,
Cody,	Halenkamp,	McClelland,
Colton,	Halfhill,	Miller, Crawford,
Cordes,	Harris, Hamilton,	Nye,
Crosser,	Harter, Stark,	Okey,
Cunningham,	Henderson,	Peck,
Davo,	Hoffman,	Redington,
Donahey,	Hoskins,	Roehm,
Doty,	Hursh,	Shaffer,
Dunlap,	Keller,	Stilwell,
Dwyer,	Kilpatrick,	Stokes,
Earnhart,	Knight,	Taggart,
Fackler,	Kramer,	Thomas,
Farrell,	Leete,	Ulmer.

Taxation.

The VICE PRESIDENT: The motion is lost, and the debate will continue upon the engrossment.

Mr. CUNNINGHAM: Does this open the debate on the amendment?

The VICE PRESIDENT: Yes.

Mr. CUNNINGHAM: I think this amendment ought not to pass. There are a number of towns in my county that, if this amendment were to pass, would not pay one dollar of taxes. They have not a house in them that anybody would pay \$1,000 for, and the result would be that the whole town would not pay one dollar's taxes, and all over the state of Ohio that condition would apply, and that would reduce the value of real estate approximately one-half. I know there are towns in our county that would not pay a dollar, plenty of them. Now, why should we do it? There is no good reason, and the result will be that if you have \$1,000 for a home-stead that will mean \$2,000, and in the very town in which I live, which is supposed to be reasonably well-to-do, I venture to say that half the houses in the town would not pay \$1 of taxes. You do not know what you are doing if you pass this proposition. You are reducing the tax duplicate wonderfully. It is unavoidable, and I repeat again that one-half of the towns in Harrison county will not pay \$1 in taxes upon any house in them.

Mr. TETLOW: I would like to ask how many homes in Harrison county in the mining district are owned by the men living in them?

Mr. CUNNINGHAM: I don't know. We haven't any mining district. There are a few miners living in the southern end of the county.

Mr. BROWN, of Lucas: Do you understand that this thing simply makes it possible for the general assembly to make an exemption from one cent up to \$1,000, if the general assembly sees fit, all subject to the approval of the governor and the people of Ohio; that this does not exempt the home of \$1,000?

Mr. CUNNINGHAM: It is probably fair to consider that the legislature might have more sense than this Convention. That is possible. But what is the use of running that risk?

Mr. BROWN, of Lucas: Do you understand that that is what the language does —

Mr. CUNNINGHAM: No; the trouble about this matter is that if it would stop at \$1,000, it might not be so bad, but it will not stop here. A house worth \$2,000, and that in reality sells for that, goes on the tax duplicate for \$1,000, and that house is exempt from taxation. You build a house in any little town in the state and it will not sell the next day for half of what it cost. Take the town of Dearsville. It has three or four hundred people and is off the railroad, and there is not a house in it appraised at \$1,000 for taxation.

Mr. RILEY: Does the gentleman understand that if this is adopted a thousand dollars may be taken off of every man's house, rich or poor?

Mr. CUNNINGHAM: Yes.

Mr. RILEY: That increases the exemption and loses the tax duplicate a great deal.

Mr. CUNNINGHAM: Yes. If my property and your property are now valued at \$5,000, they can go on the duplicate at \$4,000. I am certainly opposed to this amendment. It would be disastrous to many townships

in our county, and it is the same I should judge in every locality in the state.

Mr. Antrim was here recognized.

Mr. ULMER: Mr. President —

The VICE PRESIDENT: The presiding officer will state that the president has left a list to be recognized in turn, and if anybody wants to speak, if he will send up his name it will be placed on the list. Mr. Antrim has the floor.

Mr. PETTIT: I would like to see the time when the rules that we have adopted in this Convention will be employed, and not one man's rules.

The VICE PRESIDENT: This is not one man's rule. The gentleman from Van Wert has the floor.

Mr. ANTRIM: Mr. President and Gentlemen: By way of introduction to my remarks I would like to propound a conundrum to the Convention, and my conundrum is this: How is it possible that two men engaged in the same line of business, both being presumably normal men, when it comes to certain subjects, like taxation, in which they are both very much interested, should arrive at diametrically opposite conclusions? That is a conundrum I would like to have some one answer, and come to me privately and give me the answer after I have finished speaking.

Just before the recess we had an excellent address by the gentleman from Fayette [Mr. JONES]. The gentleman from Fayette [Mr. JONES] made the statement that he had studied the subject of taxation for thirty years, had read some learned books to which reference was made by the gentleman from Cincinnati [Mr. HARRIS], and was thoroughly well informed on the subject, and yet his study of this great subject caused him to conclude that the only thing is the uniform rule. And of all the rabid uniform-rule men I have ever met in all the course of my life he certainly is the most radical. I do not claim to be the most ardent advocate of classification in the Convention, yet I believe in it, and think a sort of elastic scheme of taxation is the most logical thing that can be adopted. If we study the trend of things as far as taxation is concerned, we shall find that it is away from uniformity. All I ask you to do is to investigate the history of the various great nations of the world, and you will find this to be the case in absolutely every great nation. In Europe the tax on intangible property has almost entirely ceased, and in its place we have the income tax, just as they have in the state of Wisconsin, the only state in the United States that has the income tax in place of the tax on intangible personal property and some other forms of personal property. We find that in eleven states of the Union there is no constitutional restraint in the matter of taxation. This afternoon the gentleman from Cincinnati [Mr. HARRIS] gave the names and the constitutional provisions of other states that have provided for classification of property in their constitutions, for example, Oklahoma and Arizona. There are other states that have the uniform rule, but they have made the uniform rule somewhat elastic.

Now, as far as I have been able to learn, no state or county that has started on the way toward elasticity in matters of taxation has ever returned to the uniform rule. I am very much in favor of elasticity when it comes to our currency. I do not know whether the gen-

Taxation.

tleman from Fayette [Mr. JONES] is. I know a great majority of the bankers of the country are. And just as I am in favor of elasticity of the currency of this country, which is the one thing that we need, so I am in favor of elasticity in matters of taxation, and if we adopt a uniform rule like that advocated by the gentleman from Fayette [Mr. JONES] we shall be tied down for years to come, and we shall not be able to make any taxation progress. In my investigation of this subject of taxation, and I do not claim to be as well posted as the gentleman from Fayette [Mr. JONES], although I believe if I were to study it as much as he has studied it I would not arrive at his conclusion, even after thirty years—but in my study of it I find that the people who advocate the uniform rule are chiefly the people who own land. On the other hand, I find that the people who advocate classification or elasticity are the people who also own land, but who own at the same time a good deal of personal property; and I find too that the people who advocate classification or elasticity in matters of taxation are the great scholars.

Now, the gentleman from Cincinnati wanted to know if there was one great reputable scholar, a professor of economics or expert in matters of taxation, anywhere in the world who advocated the uniform rule, the nobody in this Convention could mention the name of one such person.

A great many reasons have been given during the course of the debate why the classification of property for taxation purposes is desirable. My idea will be to consider briefly a few of the reasons that have been considered less fully.

I find upon investigating the history of the value of property that real estate and tangible property have gradually increased in value; that is, the tendency has been since the constitution was written in 1851 for real estate and tangible property to gradually increase in value, and particularly has this been the case in the last ten or fifteen years. On the other hand, we find that the tendency has been for intangible personal property to decrease in value. Now all you have to do in order to verify this statement is to turn to the census reports, and you will see by the census reports that are just out, or the census reports of the previous decades, that this is absolutely the case. Why is it that real estate and tangible property have gradually increased in price, and that intangible property that we classification people want to classify, has decreased? Here is the one great reason: Because gold, the measure of value and the medium of exchange, has greatly increased in the world. Away back in 1851, when our present constitution was written, there was very little gold. It was very scarce, and the result was that intangible property was really in a sense more valuable than real estate or tangible property; but gold was discovered in California in 1849, and the amount of gold mined gradually increased, with the result that today we mine annually half a billion dollars of gold. Twenty-five or thirty years ago we mined only about \$100,000,000 of gold annually; today there are five times as much, and you can readily see my point, that if the medium of exchange increases to any great extent, the things for which we exchange the gold naturally decrease. In short, it takes more money today to buy a farm, or to buy almost any form of tangible

property, than it did ten or twenty or thirty years ago, for the sole reason that gold is more plentiful today than it was ten or twenty or thirty years ago.

Mr. WINN: Will the gentleman allow me to ask him a question?

Mr. ANTRIM: At the end of my remarks, not now.

I want to give you a case to illustrate this fact, and I am quite sure it will be clear to everybody who listens to it.

In the year 1900 in Van Wert county I bought an eighty-acre farm for \$2,850. In six weeks I sold that farm at a profit of \$300, so that at the end of six weeks I had \$3,150. I loaned that money out and it netted me five per cent per annum. Now the interest for ten years, until 1910, was \$1,575. So the interest and principal, including the profit, amounted to \$4,725. That represents money. Now, suppose on the other hand I had kept that farm that cost me \$2,850. If I had rented it out there is absolutely no question that at that price I would have realized fully fifteen per cent per annum. Fifteen per cent per annum for ten years would mean \$4,250, making \$7,100. At the end of ten years, or in 1910, that farm sold for \$10,000. Now, let us take the difference between the \$2,850 and \$10,000 and we have \$7,150. Then if we add all this together we have \$14,250. Deducting for taxes an ample amount, \$500—that is more than the taxes would have been, but still, deducting \$500 for the taxes, and \$500 for the keeping of the farm in the condition in which it was when it was bought, we have \$1,000, which leaves \$13,250. Now deduct from the \$13,250 the amount of money I had as the result of the loan I made, and we have a difference of \$8,525. That is the amount I actually lost by not keeping that farm. That is a concrete example of what happened when tangible property was converted into intangible property. If I had kept the land, as the result of keeping the land I would have had \$8,525 more money. That proves the point I make, that tangible property and real estate have been gradually increasing in value, whereas intangibles have gradually decreased, for the reason that gold has become more plentiful in that time.

Now I am going to take the celebrated case given by Mr. Colton the other day. Professor Colton says there are two men living in his town of Hiram, and one has \$10,000 in notes, and the other has \$10,000 in a farm. The man who has a \$10,000 farm pays taxes on it, and the man who has the \$10,000 of notes is under just as much obligation to pay taxes on the full \$10,000 worth of notes. Of course he is a pretty mean man if he doesn't pay some taxes. Let us analyze this case. In the average township where there is no city the tax rate is very low. For instance, we have many townships in my county where the rate is much lower than one per cent. In the cities the rate is much higher. Now in one township I have in mind the rate is .44, so that a man having a \$10,000 farm in this township would pay a tax of only \$44. In Van Wert—I do not know what the rate is in Hiram, but possibly near the same—the rate was \$1.38 last year, so that if a man had returned full \$10,000 in notes, he would have had to pay \$138 in taxes. Here is the difference. The man who owns a farm gets more from the farm than the man who has money, and the man who has money pays three times as much taxes as the man who has the farm, and this further point should

Taxation.

be taken into consideration: The man who has the farm has something that may increase in value, and as a matter of fact it has increased in value in the last few years very materially; so he not only pays a less rate, but his \$10,000 has increased to \$11,000 or \$12,000 or \$13,000. Whereas the man who has the notes, saying the notes are good notes, gets only \$10,000 and accrued interest, whatever that may be. So, is it fair that the man who has the \$10,000 of notes should be put upon the same basis as the man who has the land?

The question was asked the other day, would men be more honest if we were to introduce classification of property, and I think it was answered that they would be. It seems to me that there is no question that men would return and return fully their personal property if they felt they were being dealt fairly with. Even the gentleman from Fayette, who is such a rabid uniform-rule man, intimated that he had confidence in all men, and I think it is absolutely true that if we put a fair rate on intangible property that is gradually going down at the expense of tangible property and real estate we will find very much better returns.

Now what is true in the countries and states where they have introduced classification of intangibles? Take Minnesota. It is a fact that after the rate was reduced to three mills intangible property increased eight times; that is, eight times as much intangible personal property was returned under the three-mill rate as had been returned under the original rate before the three-mill rate became effective. Pennsylvania was also mentioned. In Pennsylvania they have \$1,000,000,000 returned at four mills. Iowa has intangible personal property on a five-mill basis.

We hear it said by many that classification of property will hurt the farmer. Like the gentleman from Lorain [Mr. REDINGTON], I own several farms, and I think it will benefit the farmer to have classification of property. I think if we classify intangible personal property more money will be received as taxes, and the farmer will be benefited by the decreased amount that he will have to pay. And before I leave the question I want to say that there are thousands of people crying for lower rates in order that they may be honest and may make proper and correct returns.

Take Massachusetts. In Massachusetts we find a rate of two and a half mills on savings deposits, and they have a billion dollars returned. All the personal property of all kinds returned in the state of Ohio only makes two billions, so you see how much larger the returns are in Massachusetts than they are in Ohio.

Maryland was referred to by the gentleman from Cincinnati [Mr. HARRIS] as having returned so much more under the lower rate, and New York now at the present time almost exempts intangible property, and we find in the city of New York alone over twice as much money as in the state of Ohio, and as a result the rates in New York are as low as two and a half per cent, and men can borrow money at a lower rate in New York than anywhere else in the United States.

Let us next take mortgages. A great deal has been said about mortgages. Suppose we had in place of a tax on mortgages a recording tax like that in the state of New York. There is no question that all local people with money to lend would put it in mortgages, and the

result would be that men in any particular county would be able to borrow all they wanted from the local money lenders. What is the case at the present time? In a great many of the counties loans are made by insurance companies, and what do the counties realize? Not one cent. So that really the counties are the losers, whereas if we had a smaller tax nearly all the money could be found in the counties themselves that the farmers and home-owners need, and the counties would get the benefit in the way of a recorder's tax.

I cannot offer any amendment now, but if I have the opportunity I shall offer an amendment that has to do to a certain extent with exempting money, and I would even be liberal enough to allow the banks to pay the amount that we would fix on money if it were not too high. I think we should show our liberality. This matter of taxation is rather a selfish matter, and I would be willing for the banking institutions that receive deposits to pay the money if the tax were a reasonable tax. Then we would get a tax on a billion dollars in the state of Ohio, and the result would be that the deposits would vastly increase, and all the people would be benefited from the fact that with more money the rate would be lower. Then Mr. Thomas, of Cleveland, would never have to pay six per cent on a mortgage on his house, but he might get the money at five per cent or even lower, from the fact that there would be more money in Cleveland to lend than there is now, and instead of the banks lending money at six, seven and eight per cent, money might be loaned at four, five and six, as is the case in France, where farmers get money at three and a half and four per cent.

Now, another obvious advantage of a partial exempting of money would be that those who would need protection would be the very ones who would get protection. As was very well said by the gentleman from Lorain [Mr. REDINGTON], it is not the rich people of the state of Ohio who have money on hand and that need protection; it is the people in moderate circumstances, the laboring man, the clerk and many others, who have money on deposit in banks, and the small sums they have aggregate large sums. Take, for example, the city of Cleveland. We have been told there is one bank that has one hundred thousand depositors. Now, if that bank has that many, how many depositors have all the banks, where there are three hundred millions on deposit? Mr. Anderson made the statement that there is a bank in his town that has over thirty thousand depositors. So if you take the state of Ohio as a whole you will find thousands upon thousands and hundred of thousands of depositors. We find that the average deposit will not run over \$1,000, and that means that the people who have the deposits are not the rich people. It is the middle class of people who have money on deposit. The rich people who keep the industries going are the people who borrow money. The many people who deposit small amounts are not the people who are running large businesses.

Again, if we were in a measure to exempt money, we would prevent the loss of a great deal of money. At the present time all money is taxed, no matter whether earning anything or not. What is the result? A great many people who know nothing of investments go into get-rich-quick schemes and drop their money. Sometime

Taxation.

back the gentleman from Montgomery [Mr. STOKES] made the statement that over \$5,000,000 are lost annually as the result of going into these get-rich-quick schemes. If people could put their money into banks and know they were not going to be taxed on their money, the result would be they would leave it in the banks at three and four and five per cent, and that large sum mentioned would be saved to the people who can least afford to lose.

What would be the advantage of increased deposits? Suppose we could increase the deposits of the state of Ohio from a billion to a billion and a quarter. Do you not think that would tend to reduce rates of interest, not only to the business men, but to the farmers and everybody who borrows? Take the example of New York. Interest rates in New York are considerably lower than in Ohio. Why is that? Because they classify property in the state of New York and they partially exempt many forms of intangible property. And this would mean lower rates to the farmers, who were so eloquently spoken of by Mr. Lampson in connection with the good roads proposition, and to the home-owners and those who want to own homes. If they get lower rates it is a great saving, and a dollar saved is a dollar earned. Finally, if money were to be partially exempted it would have a tendency to decrease perjury, the concealment of intangible property and evasion of law. There is this tendency among men, that if they begin evading one law, they get so in the habit of evading law that they do not have the respect for all law that they should have. So the result of evasion and not making proper returns leads to our not having proper respect for all law that we should have. So at the proper time I shall offer an amendment along the line of partially exempting money on deposit from taxation.

Mr. COLTON: Before we pass too far from the amendment of the gentleman from Lucas [Mr. BROWN] I wish to say a word upon that amendment. It is proposed to exempt from taxation every person living in his own home to the extent of \$1,000 of the real estate. It seems to me that this is a very dangerous proposition. There are in the state of Ohio twelve hundred thousand voters. Just how many voters have homes is a little difficult to determine. I do not remember to have seen any estimate of the number of homes, but suppose that there are half of the voters who own their own homes. Then there are 600,000 homes. Now suppose that one-third of those homes are not occupied by the owners, then we have 400,000 homes occupied by the owners; and from these 400,000 homes you exempt \$1,000 each, or \$400,000,000. According to the last valuation of real estate the value of all the real estate in the state was just a little over \$4,200,000,000. If the exemptions reach \$400,000,000, we are exempting about one-tenth of the real estate in this state. That is, we are putting it in danger of being exempted. That I think a very dangerous thing to do, and the movement is not at all justified.

It has been objected, and very well, that this relieves the rich man, who does not need relief, as well as the poor man. Possibly the legislature might make an adjustment to avoid that, although I do not know that it could. It has also been said that the legislature will not exempt \$1,000, and that we might submit this to the people as a sort of referendum and let them decide. I

do not propose to vote in this Convention for any measure to go to the people that I will not vote for when it goes there, and I will not vote to put in this constitution any clause that I cannot vote for when the constitution goes before the people. When that time comes I want to be able to tell the people that I voted for every clause there because I believe in that clause. I am sure that to pass this amendment in this form would be a very dangerous thing to do.

Now another remark concerning the spirit in which this discussion has been carried on. It has been suggested by the gentleman from Allen [Mr. HALFHILL] that there has been a movement to withdraw this proposition from the Convention, and get it in a committee room, and reshape it and bring it back for the purpose of ramming it through. I disclaim any knowledge of such a movement on the part of myself, or of such other members of the minority as I have been able to get in communication with. I make the same disclaimer for them. This morning there was an understanding that discussion should go on as far as we were concerned, and we have no opposition to it, and we mean to keep that understanding in good faith and let the Convention decide on the matter. However, realizing that this proposition ought to be engrossed I voted against the motion to postpone. I feared there might be an effort to cut off discussion. Upon consultation I find there was no such intention, and this proposition can be engrossed and discussion can go on as freely as it is going on now. I am sure it is the intention of those who support the minority report to allow the discussion to go on, and with that understanding, I demand the previous question on this matter.

The main question was ordered.

Mr. COLTON: I now move that this amendment be laid on the table.

Mr. LAMPSON: After the main question has been ordered the motion is on the amendment, and the motion to table it cannot be made.

The VICE PRESIDENT: The motion to table at this time will be declared out of order and the vote will be on the amendment.

The yeas and nays were regularly demanded; taken, and resulted — yeas 32, nays 54, as follows:

Those who voted in the affirmative are:

Bowdle,	Halenkamp,	Read,
Brown, Lucas,	Halfhill,	Roehm,
Cassidy,	Harris, Hamilton,	Shaffer,
Cordes,	Hoffman,	Smith, Geauga,
Crosser,	Hoskins,	Stalter,
Davio,	Kilpatrick,	Stilwell,
Doty,	Knight,	Tetlow,
Fackler,	Leete,	Thomas,
Fess,	Leslie,	Ulmer,
FitzSimons,	Peck,	Winn.
Hahn,	Pierce,	

Those who voted in the negative are:

Antrim,	Cunningham,	Hursh,
Baum,	Donahey,	Johnson, Madison,
Beatty, Morrow,	Dunlap,	Johnson, Williams,
Beyer,	Dwyer,	Jones,
Brattain,	Earnhart,	Keller,
Brown, Pike,	Fluke,	Kramer,
Cody,	Fox,	Kunkel,
Collett,	Harbarger,	Lambert,
Colton,	Harter, Stark,	Lampson,
Crites,	Holtz,	Longstreth,

Taxation.

Ludey,
Mauck,
McClelland,
Miller, Crawford,
Miller, Fairfield,
Miller, Ottawa,
Moore,
Nye,

Okey,
Partington,
Peters,
Pettit,
Redington,
Riley,
Rockel,
Shaw,

Stevens,
Stewart,
Taggart,
Tannehill,
Wagner,
Walker,
Watson,
Woods.

The amendment was disagreed to.

The VICE PRESIDENT: The vote is now on the Lampson amendment.

The yeas and nays were regularly demanded; taken, and resulted—yeas 48, nays 36, as follows:

Those who voted in the affirmative are:

Baum,	Holtz,	Okey,
Beatty, Morrow,	Hursh,	Partington,
Beyer,	Johnson, Madison,	Peters,
Brattain,	Jones,	Pettit,
Brown, Pike,	Keller,	Pierce,
Cody,	Kunkel,	Read,
Collett,	Lambert,	Riley,
Colton,	Lampson,	Rockel,
Crites,	Longstreth,	Shaw,
Cunningham,	Ludey,	Tannehill,
Dunlap,	McClelland,	Tetlow,
Dwyer,	Miller, Crawford,	Wagner,
Earnhart,	Miller, Fairfield,	Walker,
Fess,	Miller, Ottawa,	Watson,
Fluke,	Moore,	Winn,
Harris, Ashtabula,	Nye,	Woods.

Those who voted in the negative are:

Antrim,	Halfhill,	Peck,
Bowdle,	Harbarger,	Redington,
Cassidy,	Harris, Hamilton,	Roehm,
Cordes,	Harter, Stark,	Shaffer,
Crosser,	Hoffman,	Smith, Geauga,
Davio,	Johnson, Williams,	Stalter,
Donahy,	Kilpatrick,	Stevens,
Doty,	Knight,	Stewart,
FitzSimons,	Kramer,	Stilwell,
Fox,	Leete,	Taggart,
Hahn,	Leslie,	Thomas,
Halenkamp,	Mauck,	Ulmer.

So the amendment was agreed to.

The VICE PRESIDENT: Now the vote is upon the Anderson amendment.

The amendment was agreed to.

The VICE PRESIDENT: The question now is upon engrossment. If there is no objection, it will be engrossed.

Mr. WINN: I now move that the Convention order the proposal to be read the second time.

Mr. DWYER: I want some information as to what we have voted on.

The VICE PRESIDENT: We voted on the amendment of the gentleman from Mahoning that last vote.

Mr. DOTY: A point of order as to the motion made by the delegate from Defiance [Mr. WINN]. The matter lies over two days.

The VICE PRESIDENT: It is placed on the calendar for the second day unless the Convention by a majority vote otherwise orders.

Mr. HALFHILL: Does that mean a majority of the Convention, or a majority of those voting?

The VICE PRESIDENT: The matter is entirely in the hands of the Convention by a majority vote of those present, provided the total vote shows a quorum.

Mr. LAMPSON: In order that there may be perfect understanding, it may be read now, and then it is open to debate or amendment, or motion to postpone until tomorrow or any other time.

Mr. DOTY: What is it that is proposed to be done now?

The VICE PRESIDENT: To put it on its second reading.

Mr. DOTY: I demand the yeas and nays on that.

The yeas and nays were taken, and resulted—yeas 57, nays 25, as follows:

Those who voted in the affirmative are:

Baum,	Hursh,	Oke-
Beatty, Morrow,	Johnson, Madison,	Partington,
Beyer,	Johnson, Williams,	Peters,
Brattain,	Keller,	Pettit,
Brown, Pike,	Kilpatrick,	Pierce,
Cassidy,	Knight,	Riley,
Collett,	Kramer,	Rockel,
Colton,	Kunkel,	Shaw,
Cunningham,	Lambert,	Stevens,
Donahy,	Lampson,	Stewart,
Dunlap,	Longstreth,	Tannehill,
Dwyer,	Ludey,	Tetlow,
Earnhart,	Mauck,	Thomas,
Fess,	McClelland,	Ulmer,
Fluke,	Miller, Crawford,	Wagner,
Fox,	Miller, Fairfield,	Walker,
Harbarger,	Miller, Ottawa,	Watson,
Harris, Ashtabula,	Moore,	Winn,
Holtz,	Nye,	Woods.

Those who voted in the negative are:

Antrim,	Halfhill,	Read,
Bowdle,	Harris, Hamilton,	Redington,
Crites,	Harter, Stark,	Roehm,
Crosser,	Hoffman,	Shaffer,
Davio,	Hoskins,	Smith, Geauga,
Doty,	Leete,	Stalter,
FitzSimons,	Leslie,	Stilwell,
Hahn,	Peck,	Taggart.
Halenkamp,		

So the motion was carried.

Mr. HOSKINS: I move that this Convention adjourn until next Monday at two o'clock.

The VICE PRESIDENT: The motion to adjourn is out of order. The proposal is up for its second reading, and has not been read yet.

The proposal was read the second time.

Mr. HOSKINS: I now move that we recess until two o'clock Monday afternoon.

Mr. LAMPSON: I move that we postpone further consideration of this proposal until Monday next, and it be placed at the head of the calendar, and that it be ordered printed.

The VICE PRESIDENT: The motion before the Convention is the one made by Mr. Lampson.

The motion was carried.

Leave of absence for the remainder of the week was granted to Messrs. King, Evans, Stamm, Norris, Kerr, Rorick, Anderson, Fox and Hoskins.

Leave of absence for Friday, Monday and Tuesday was granted to Messrs. Beatty, of Wood and Kehoe.

Mr. DOTY: I now move that we adjourn until tomorrow morning at nine o'clock.

Mr. LAMPSON: I second that motion.

The motion was carried.