

BONUS AND THE TAXPAYER

an editor of the Oregonian writes that the bonus very clearly goes to the man who is elected on June 7. To quote from the Oregonian: "In the special election in June the paramount issue of course will be the soldiers' bonus act. The provisions of this act have been outlined heretofore in the particular to what it would do for the service men. Briefly, it offers the option of a cash payment of \$15 a month for each month of service on the declaration of war to November 11, 1918, or a loan of not more than \$2000 at long time at 4 per cent interest secured by real property owned by the service man. That adoption of the law will mean the general public is obviously a matter of fair inquiry and that is the purpose of this article.

"There are several contingencies which will effect the cost to the state. Effort to make even an approximate calculation of real value is well-nigh hopeless, so only the possibilities can be given.

"The law as regards cash payments, is almost identical with the Washington law, under which houses are now being paid. The chief difference is that the Oregon law grants no bonus to men for the first sixty days of service. The Washington law has no service minimum. The rate of payment is otherwise the same. The Washington law has no alternative loan provision. All the service men receive cash.

"The initial bond issue provided by the Washington law was for \$11,000,000. A dispatch published the other day stated that it was apparent that this sum was inadequate to pay all claims but an estimate of the total requirement was not given.

Oregon contributed almost exactly two-thirds as many men as the state of Washington. It would seem, therefore, that except for deductions due to the minimum service provisions of the Oregon law, the cost in this state would be two-thirds that of Washington, assuming that all eligible men availed themselves of the cash bonus privilege and not accepted the loan option. If the Washington cost should be \$12,000,000 the Oregon cost would be nearly \$8,000,000, for there is probably no material difference in the average service period. But this figure is only illustrative. It is supposed that many Oregon service men would take loans instead of cash.

"If many Oregon men should avail themselves of the loan provision the state bonds issued to provide the money would be greater than otherwise—probably much greater than Washington's. But to carry out that feature of the bill, the state would be borrowing money to lend again. It might have to pay more than 4 per cent on its own bonds and it would only collect 4 per cent interest from the borrower. The principal would ultimately be repaid by the individual borrower and the state would be out the difference between the interest it had to pay and the interest it received.

"The companion constitutional amendment authorizes a bonded indebtedness for bonus and loan purposes up to 3 per cent of the assessed valuation. In round numbers, the indebtedness thus authorized is \$30,000,000. The state of Oregon contributed more than 25,000 men to the service. So it follows that if 10,000 of them applied for the maximum loan the sum available would be exhausted. The affirmative argument, prepared for the state pamphlet, estimates that not more than 10,000 will apply for the cash bonus that leaves 25,000 service men to be accounted for. About 5000 will be virtually ineligible because they have received benefits under the educational aid laws. If 20,000 of them applied for \$2000 loans there would not be enough money to go around; nor of 15,000 applied for \$2,500 each, nor if 15,000 applied for \$2000 each—after the cash bonus had been paid to 10,000.

"But it is provided in the bill that if there is not enough money in the fund to meet a loan application, then principal and interest payments on loans already issued shall go into the loan fund to meet these excess applications. Thus a revolving fund would be created and the final reimbursement of the state for the loans it had made would be indefinitely postponed and the whole interest burden would for the time being be carried by the taxpayers.

"The number who will want loans and the number who will want cash are of course purely matters of speculation. But it is apparent that many will be entitled to loans that will not be entitled to cash. This situation is created by the provision that those who received compensation during the war in excess of regular service pay may receive only the difference between the cash bonus and the excess they received while in the service. If there is any such difference, thus the man in the service division who received civilian pay may find that he is not entitled to a cash bonus. The bill, however, does not seem to exclude him from the loan privilege.

For those who have a choice between cash and loan, the choice may be affected by a provision in the bill relating to sale of land on which the service man has received a loan. The effect of this pro-

vision is that the property cannot be transferred to a corporation or to any person not entitled to a veteran's loan or bonus unless 10 per cent of the loan has been paid. If 40 per cent has been paid the loan may then be continued to the purchaser, but at 6 per cent interest. Thus the soldier who has a loan and is compelled to sell may have to find a purchaser who can pay for his equity and also provide a substantial payment on the loan. The effect will be to restrict the market of the service man who is compelled to sell. The same provision applies to his executor in case of his death.

But the loan provision has certain offsetting attractions. For example, if a service man owns a lot worth \$1000 he can borrow \$2000 to build a house on it. The money will be advanced from time to time to pay for labor and materials. For this loan he need pay no more than 6 per cent annually, 4 per cent of which is interest and 2 per cent applies on the principal. There will be an initial expense paid by the applicant of not to exceed \$25 for appraisers' and attorneys' fees. Similar provisions are made for farm improvements. In short, the service man who has a stake of \$1000 or more in land, can borrow \$2000 to improve it at a cost to him of \$180 a year or \$15 a month.

But aside from attractions that may affect the number of loans as a matter of option, there is a contingency named in the bill which makes speculation as to its results still more hazardous. If congress adopts bonus legislation before the special Oregon election is held, those who accept the federal bonus it is provided, shall not be entitled to cash bonus from the state. The law says specifically "cash bonus." Seemingly all will be entitled to loans, even though they receive the cash bonus from the government. As all would then be entitled to loans, but not to cash, as many would apply for loans as had the security and could make use of the money.

Still another factor which affects estimates as to the cost of the measure is that which gives the service man only one year in which to apply for a cash bonus, but fixes no time limit on application for loan. It would appear that so long as the law remains in force the service man who had not availed himself of its benefits would continue to be eligible to apply for a loan.

To recapitulate: The amendment authorizes a maximum issuance of bonds to provide for cash payments and loans in the amount of \$30,000,000. The proportion paid out for cash bonus—an amount not sub-

ject to present estimates will be direct obligation upon the taxpayer. The interest on the amount devoted to loans will be repaid by the borrower. The interest payments will go into the loan fund and the taxpayer will carry the bond interest and sinking fund until such time as all loan applications are satisfied. If the loan feature is extremely popular, state bonds in the entire sum of \$30,000,000 will be required and the issue will have to be carried for a time by general taxation.

The bill provides for an annual tax levy of one mill. A tax of one mill produces \$1,000,000. If the amendment and bill are approved this tax will be levied so long as it is necessary or not insufficient and until it is changed by the legislature or vote of the people. It is not sufficient to pay interest of 7 per cent on \$30,000,000 or even interest at 4 per cent.

Wonderful Babylon.
The city of Babylon, when built by Nebuchadnezzar, formed one of the greatest and most magnificent worlds has ever seen. Ancient historians can find no words to describe the grandeur of the palaces, the splendid edifices, large gardens and pleasure grounds, especially the hanging gardens, a sort of lofty terraced structure supporting earth enough to grow trees.

Dietary Example.
Preachers according to reliable statistics, live much longer than other men. Which demonstrates the theory that most men eat too often and too much.—Lexington Leader.

Japanese Sleeping Arrangements.
The Japanese bed, consisting merely of a few thick comforters and a pillow, can easily be made up in any room. It is considered a mark of hospitality to make the guest's bed in the parlor and put the room at his disposal.

Europe Short of Bottles.
There is a scarcity of bottles in Europe with the result that the demand for second-hand bottles is unprecedented. In the pre-war days the empty "bubbly" bottle was a drug on the market. The rag-and-bone merchant would give small sums for whisky, port, sherry, burgundy and claret bottles, but the champagne bottle was on the black list. Today it is the king of the empty bottle trade.

Just a Week-end Trip.
Minneapolis workmen claim to have discovered some ancient Roman coins while digging in the street. But what's the answer? That Julius Caesar once conquered Minnesota, but forgot to mention it in the Commentaries.—Cleveland Plain Dealer.

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