

led to the development of amazing new methods and improved products in these peacetime industries. Mr. Barrick sees a new and greater industrial future for Oregon "as long as the two major resources of forestry and agriculture of this state can be maintained and placed on a substantial yield basis by intelligent planning and conservation measures." He also directs attention to the new industries which show promise of becoming large postwar businesses. "The huge potential electrical power, and untouched mineral resources encouraged the establishment of the chemical and electro-chemical field of industrialization, which opened the eyes of industrialists throughout the nation to the opportunities and economic potentials of Oregon . . . Oregon has the great potential foreign markets of the future—the Orient, Russia, Central and South America . . . The trend over the recent war years was one of increased output, further industrialization, diversification, new production and new fabrication in peacetime industries which has left Oregon with a larger potential economic base than ever before . . . There is optimism on the West Coast, and optimism, in and of itself, adds impetus to the expansion of an overall economic base of any community."

The importance of an industry may be established by a variety of measures. "Value added by manufacture"—accepted by Mr. Barrick as the best comparative measure—is defined as "the increment created by the manufacturing process." It is the difference between the value of the product and the cost of materials, and includes the contribution of business to the economic factors of production through wages and returns to both borrowed and equity capital before taxes. Using 1899 as the base year, Barrick discloses that the increase in manufacturing has been of relatively more importance in Oregon than in the United States in general. The 1939 index of value added by manufacture in Oregon is 853 and

that for the United States is 533; an increase in Oregon of $8\frac{1}{2}$ times the base year, and an increase of only $5\frac{1}{3}$ in the United States as a whole. This implies that Oregon has manufacturing possibilities which offer greater opportunities than the average for the United States."

In the last chapter of this report, Mr. Barrick considers the relative fiscal capacity, tax burdens and tax effort of Oregon and the other Western states. It appears to him "that Oregon has the economic potentials now, and being a developing economy, will have continuing ability to meet all reasonable demands for the support of the State and Local governments." He shows very clearly, however, that Oregon is exerting less tax effort in relation to her fiscal capacity than is any other Western state, except Idaho.

In 1942, the average of tax burdens (per capita state and local taxes) for the 11 Western states was \$94.87; for Oregon the average was \$78.68. The average fiscal capacity (per capita income payments) for the Western states was \$1,147; for Oregon it was \$1,075. Using the Western States average as a base of 100, Oregon's tax burdens index is 83, her fiscal capacity index 94 and her tax effort ratio only 88. If Oregon's per capita tax burden had been equal to the average for the Western states in 1942, the total state and local taxes would have amounted to \$103,408,000, or \$17,669,000 more than was estimated to have been collected. Barrick figures that if Oregon had exerted the same tax effort as California, total taxes would have amounted to \$121,099,000 or \$35,360,000 more than were collected. A tax effort equal to that of Washington (only slightly ahead of Oregon in tax effort) would have produced \$8,023,000 more than was collected.

Fiscal capacity, tax structure and the functional level of governmental activity are cited by this report as the principal factors which produce variations

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