

The *Portland Oregonian* analyzes the Grange Bill

HORSE SENSE SERIES NO. 9

"WILL OREGON INVITE REPUDIATION?"

"It would be difficult to exaggerate the menace to Oregon's prosperity and general welfare that resides in the proposed constitutional amendment for 'people's water and power utility districts.' It is the one measure on the ballot for the November election that leaves the gate wide open. It would provide entry for every hare-brained scheme that might be devised in the field of water and power development. All that would be required would be promoters sufficiently plausible and energetic to 'sell' their schemes.

"The greatest evil in this pending amendment—and there are many—lies in the fact that it wipes out all limitations on taxation and the sale of obligations. The state has built up a structure for taxation that is carefully guarded to protect against extravagance which might lead to financial disaster. The constitution places a 6 per cent limitation on the state. The extent to which cities may create indebtedness is definitely fixed. There are hard and fast limitations on the taxing and debt-incurring powers of school districts, ports, irrigation and drainage districts—on every unit within the state that has such authority.

"But, here comes a measure that ignores all precautions and bluntly authorizes the districts to be created under it, among other things:

'To levy taxes upon the taxable property of such districts.

'To issue, sell and assume evidences of indebtedness.'

"Neither the 6 per cent limitation nor any other restriction would apply to these districts because they would be set up on the authority of the constitution, and the legislature, in passing an enabling act, could not provide conditions that would narrow the powers granted in the amendment. That is the strongly prevailing legal opinion. Attorneys for the proponents have been unable to show restrictions in other parts of the constitution that would be applicable. If the amendment is approved the lid is off.

"Parts of any one district do not need to be contiguous—they do not need to be in the same county; they can be as far apart as the state boundaries permit; they can include one or more cities, or they can be exclusive of cities.

"It is an open invitation for gerrymandering, and it would be seized upon by professional promoters who would hope to profit through unsound development schemes and the sale of securities.

"The argument has been advanced that the people of the districts would be able to protect themselves by setting their own limitations on financing and investment. But would they do so? It has not been the experience elsewhere that they would. Irrigation districts now are up to the neck in trouble because the guess was wrong on the burdens that they could carry. The state, which guaranteed the interest for five years, under a provision that it is now proposed to revoke, is out more than \$4,000,000 on that experiment, much, perhaps all, of which will never be returned but must be passed on to the general taxpayers. If the property owners of these sprawling, disconnected and overlapping districts could be depended upon to protect themselves, why has it been thought necessary to place taxation limitations on every other taxlevying agency?

"This step would court disaster and repudiation. It comes at a time when there is hysteria on the subject of power development, inspired for political purposes. Those who think more clearly, yet believe in public ownership of utilities, are against this visionary and loosely drawn amendment.

"But the time is ripe for schemers to rush these districts, if they are created, into difficulties from which they could never extricate themselves and which would injure, if it did not undermine, the credit of Oregon and of its subdivisions.

"It was unrestrained enthusiasm for development and overconfidence in ability to pay that first brought repudiation into our financial vocabulary. That was a great many years ago, in the early days of the republic, but the experience has its lesson for us in this year 1930. The country was rich in resources, but their development was retarded by lack of transportation. Then came a tidal wave of sentiment for the laying of railroads and the digging of canals, the building of

highways and other public works, for all of which public credit was staked, with no thought of a day of settlement. Says a writer in reference to that era: 'Private ambition and public spirit were skillfully played upon to induce voters to ratify with eagerness what doubtless seemed to many a public duty as well as a private gain.'

"But there was a day of reckoning and it ranks among the major catastrophies in the history of the nation. Between 1830 and 1842, in this orgy of public expenditure, the debt of the states increased from \$13,000,000 to \$213,000,000, and suddenly they found that they could not pay. State after state was unable to meet its obligations. Pennsylvania, Maryland, Mississippi, Michigan, Florida, Indiana and Illinois were on the verge of bankruptcy. All of them suspended payment of interest. All of them were put to dire extremes to weather the storm and three, Mississippi, Michigan and Florida, repudiated capital debt. The heavy indebtedness of many southern states hung over until after the civil war. More repudiation followed and in 1880 those southern states which had refused to pay were joined by a northern state, Minnesota, which settled its railroad bonds at 50 cents on the dollar.

"Nor has repudiation been confined to the early era of construction nor to the states. Numerous cities, towns and counties defaulted on their obligations following the panic of 1873 and the courts of the land were clogged with resulting litigation.

"The effect of repudiation then, and always, has been to impair or ruin credit, to stifle growth and progress.

"The lesson of these experiences and the increased wealth of the country have confined repudiation to isolated cases in later years. 'Another and perhaps more efficient safeguard against its recurrence,' says a historian, 'is to be found in the innumerable restrictions against the debt-making power of the states which have found their way into recent state constitutions.'

"The lesson is plain, yet here in our own state it is proposed to ignore it by departing in our constitution from this established policy. Surely the voters of Oregon will have more regard than that for their future welfare and the good name and financial standing of their state."



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