

GOVERNOR'S JACKSON DAY SPEECH DELIVERED AT PORTLAND FRIDAY

He Reviewed His Administration for the Past Three Years, and Several of the Newspapers of the State Have Taken This to Mean an Outline of the Issues of the Campaign as They Will be Fought Out in the Next Contest for the Office of Governor, With Himself as a Candidate in November for Re-election.

(Governor Walter M. Pierce was the chief speaker at the Jackson day banquet of the Democratic hosts at Portland on Friday evening. Several newspapers have said Governor Pierce's speech was the initial outline of the issues to be fought out in the next campaign for governor of Oregon, with himself as the Democratic contestant. This makes of that speech a matter which is of wide public interest. On this account, it is worth printing in full, which is done in the following:)

Permit me to express my appreciation to the members of the Jackson Club for the courtesies and kindnesses extended to me through the almost quarter of a century that I have attended these meetings. I will ever remember the high honors you have accorded me as private citizen, as senator and as governor.

The annual Jackson Day coming together is the largest gathering in this state of those who believe in the ideals of Jefferson and Jackson, Bryan and Wilson. It is both fitting and proper that on each recurring Eighth of January we should meet in this our metropolitan city, to celebrate in song and story the achievements of the great founders of the Democratic Party, the political organization to which we pledge allegiance.

The people of this state have highly honored me. I have served two terms in the State Senate, was a candidate for the Democratic nomination for United States Senator in 1912, twice the nominee of our party for the governorship and was elected in 1922 by a large majority, a victory made possible by the hard, persistent work of you who are gathered around this banquet hall, as well as thousands of others throughout the state. Having served as chief executive of the state of Oregon for three full years, I come now to report to you of what has been done under the present administration, which completes tonight three-fourths of the term for which it was commissioned by the people of the state.

In the 157 speeches delivered in the fall and summer of 1923, I kept emphatically before the people in every address the necessity for tax reduction and redistribution of the burdens of government. I still believe it to be the vital and paramount issue before the people of the state of Oregon. There are other important issues, but the great, unsettled question before the electorate today is: Shall real property in Oregon be confiscated by taxation?

Seven years ago this January James Withycombe succeeded Oswald West as governor. At that time the cost of state government in all its activities was \$3,112,000. When I was inaugurated governor, three years ago tonight, the annual state expense had reached the astounding total of \$17,485,037. This included \$2,003,000 for higher education, \$2,000,000 for primary education, \$1,000,000 for soldier's aid, the gasoline tax and the automobile license tax. Of this total amount of state revenue for 1922, \$9,376,289.11 was derived from a direct tax upon property. Except one state, Oregon at

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GOVERNOR WALTER M. PIERCE

it is a well recognized fact that if taxes absorb the income from property, the value of that property disappears. "The power to tax is the power to destroy." Our tax code can be made a state asset. It is now a liability. Under its operation money flows inevitably into intangibles.

Oregon must grow. We have advanced in industry, in agriculture, in horticulture, in education, in many ways. To grow and expand in the future new sources of income must be provided if we are to keep pace with our sister states. It is impossible as it is unjust to expect the general property tax to provide additional money for our growth and expansion. In a very short time the state must have new buildings to take care of her ever increasing needs. Many of the institutions are overcrowded. Many are lacking in equipment. They must have sufficient funds to carry on their work.

Oregon's educational system, the bulwark of our democracy, will require more revenue. The appeal of those knocking at the doors of our institutions of learning must be heard. Funds, facilities, equipment, space, instructors, must be provided. Attendance at our schools, colleges and universities has increased many times faster than our population. It is plain that our ever increasing school population demands ever growing and expanding educational institutions. The enormous wealth represented in intangible property must help bear the burden.

The first rule in taxation is fairness in assessment. The income tax offers a way to smooth out these inequalities and justly apportion the tax burden. The income tax is no respecter of person or class. It exempts none but those under its rigid exemption rules.

Taxes to pay for the protection or benefit received from the state. It is but fair that income should help support the sources from which it is derived. Good year or poor year, the farmer faces the same amount on his tax list. Prosperity or panic, the storekeeper has to find sufficient money to pay a fixed tax on his buildings and stock. Employed or out of work, the home owner watches the tax rate pile up on his bungalow. The income tax is the greatest leveler in taxation methods. It is the true index of the taxpayer's ability to pay. It exacts from every one an equal degree of sacrifice. It brings a greater number of citizens to a realization of their responsibilities and duties toward their state and country. It makes them as interested in the affairs of state as the home owner is interested. It's the home owner who volunteers to defend his home and country. He has some thing to defend. When citizens do not contribute to the support of government, they are little concerned about how the revenue is spent. When the 25,000 of Oregon's well-to-do citizens, now untaxed, have to pay their share for the privileges they now enjoy, they will become true citizens, actively interested in the affairs of government. Income tax returns for 1925 show that there was a net income in Oregon of \$160,000,000, not counting banks.

Standing timber is taxed at less than proportion to its actual value than any other kind of property. I do not believe that we should sit idly by and see the magnificent forests of Oregon turned into blackened stumps and the lumber shipped to foreign ports while the citizens of Oregon derive practically no revenue from this wonderful gift of the Creator. I favor the collection of \$1.00 per thousand feet of all lumber cut in this state, one-fourth to go to the state to reduce state taxes, one-fourth to go to the irreducible school fund, one-fourth to go to the county where the timber is cut in order to reduce county taxes, and one-fourth to be used for the reforestation of cut-over lands which are not suitable for agriculture. Based on our present cut, this would mean \$1,000,000 annually in each of these four different funds. More than ninety

he voted on next November. I believe these measures will be sustained by the people at the polls, and if so there will be no deficit in the state treasury one year from today when I will have completed my first term as governor. This in face of the fact that we assumed and wiped out a deficit from the preceding administration of nearly half a million, and have reduced the annual burden of taxation by over two millions.

The state penitentiary, a trouble under all previous administrations, has run true to form under mine. In a small enclosure there are nearly 500 men incarcerated, as a punishment to them and as a protection to society. Three years ago today few of the inmates were working. Today all able-bodied men are working at some useful profitable employment.

Acting upon my suggestion, the legislature appropriated the same sum of money, \$420,000, as had been appropriated by the previous legislature for penitentiary maintenance, giving me the right to use \$100,000 of that sum to establish industries. I report to you and to the electorate of the state that the penitentiary was maintained for the years 1923 and 1924 for the \$220,000, a clear saving of \$100,000, and approximately \$1800 was returned to the state treasury unused. The first money used from the \$100,000 revolving fund was for the construction of a hydro-electric plant, using the small stream which had been used only in a minor way. This plant develops 240 electric horsepower. It furnishes our light and power, a saving to the state of \$12,000 annually. This hydro-electric plant alone is worth more to the state than the entire \$100,000 entrusted to me three years ago.

We had just started in a fair way in the flax industry when the disastrous fire occurred on September 17, 1923, wiping out the entire plant. With prison labor it was at once reconstructed, including extensive machine shops, large sheds and one of the largest fireproof warehouses in the state.

We have on hand at the present time a large amount of flax straw, flax seed, spinning tow, long line fibre and woolstering tow. It has heretofore taken two years to turn flax straw into salable products, as it is harvested so late in the summer that it cannot be retted under the old plan until the following summer. It is believed now that a plan has been perfected at the penitentiary whereby the straw can be retted in the winter and dried artificially, so that the summer's crop can be worked up during the following winter. The benefit of the state accident insurance should be extended to include every automobile owner in the state. The securing of a state license to operate a car should automatically place its owner under the benefits of this law. This would insure compensation to those who suffer from the acts of reckless drivers.

Nine years ago Oregon completed work on an extremely ambitious highway program. When I became governor, outstanding bonds and contracts which totalled the issuance of further bonds, totalled \$28,700,000. It will take a generation to pay off this obligation. When the present administration came into office it was compelled to face this enormous debt together with many unfinished links, bridges, many miles of road demanding construction and an ever increasing cost of upkeep. At my special request an additional cent was added to the gasoline tax. The highway commission which I appointed has met promptly the interest on the bonds and will have redeemed \$2,700,000 in highway bonds by the end of this year. Many bridges have been erected, and 300 miles of highway constructed. The total new construction, with the aid from the counties and the federal government, has cost approximately \$10,000,000 in the last three years, and

in the same period there has been expended for upkeep and betterments more than \$6,000,000. The engineers of the highway department have perfected a system of oiling the macadam which bids fair to revolutionize road construction. Some of the finest highways in America today are the oiled macadam of Oregon.

Seven years ago I wrote the first market road bill in this state. Under the operation of the law, \$12,000,000 has been expended on the construction of rural roads. We have at the present time hundreds of miles of good roads in this state as the result of the operation of this law.

The new boys' training school at Woodburn is now practically completed, and 125 boys will be moved to the new building this month. I recommended to the legislature a year ago that at the present site of the boys' training school there should be constructed a reformatory, an institution intermediate between the boys' training school and the penitentiary, for the purpose of caring for many of the first offenders sent to the penitentiary. It will be possible to bring many of these back to the right paths of living, and they should be confined with the older criminals at the state prison. This reformatory should also be sent the older incorrigible boys now at the boys' training school. Young men in such an institution if provided with the proper facilities and proper management, should earn their own living while incarcerated. They should also learn some useful trade that will assist them in securing employment when they are discharged.

The irrigation districts organized under state laws have presented a very difficult problem. Under the operation of our statutes giving the state authority to guarantee interest for five years upon irrigation bonds, a total of \$13,000,000 has been issued by various irrigation districts. Interest on many of these bonds had been guaranteed by the state. The state was at least morally, if not legally, bound, by reason of commitments made, to finish the Jordan Valley and Tumalo projects which had been organized under the Carey act with partially completed plants. Both projects have been completed and water is now available to irrigate all irrigable land within these two districts. Land under the Jordan Valley project will cost the settler about \$24 an acre, including water, the cheapest project in the west. The state now has outstanding \$2,673,760 in bonds which it is bound to pay interest for irrigation.

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