ANALYZING STATE SPENDING AND REVENUES IN OKLAHOMA DURING THE GREAT DEPRESSION

By

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At the beginning of the 1930's, most states were facing budget shortfalls, and were looking for new ways to increase revenues and decrease deficits. Many states, like Oklahoma, found that revenue could be generated with the creation and passage of new taxes, such as a sales tax on general merchandise. At the beginning of the decade, most of the revenue generated from the passage of several types of taxes was used to pay for previous expenditures encountered by the state. For Oklahoma, this changed with the creation of the Social Security Act.

When the Social Security Act was passed by Congress, certain groups, such as the old, children in need, and the blind were slated to receive monthly checks that would be paid by a combination of federal and state funds. For the states to continue to receive funds from the federal government though, they would have to guarantee that only those in need were receiving old age assistance. This was a promise that Oklahoma failed multiple times to keep and the state had to cope with the withdrawal of federal funds from the state.

The Great Depression also brought the repeal of prohibition at a federal level, with states individually having the right to decide whether they would permit the sale of alcohol. In Oklahoma, where the state was faced with multiple financial crises, mainly due to the failure of the agricultural industry, the religious and moral opposition to selling and distributing alcohol countered the issue of raising revenue to pay for the needs of the citizens.

Sales Tax

In Oklahoma, by 1932, the state was facing serious financial issues and was in dire need of a solution to help balance the budget. When a state sales tax on general merchandise was proposed, the state treasurer, Ray Weems, said that the implementation of this tax had the potential to raise over $4,000,000 a year.[1] The idea of asking citizens to pay a small flat tax on every item purchased was more popular than requiring citizens to pay a large amount to the state once a year under an income tax. Weems noted,

> "Mr. Average Citizen does not feel the sales tax and I firmly believe that the matter of psychology enters into the subject. We pay our gasoline taxes and never whimper. We pay our tobacco tax and never whimper. In tax payments, most of us pay once a year in big lump sums and it hurts."[2]

He concluded that most citizens would not even notice paying the additional sales tax, but it would greatly benefit the state.

However, not everyone supported the idea of creating a state sales tax. Governor Murray was against the creation of a sales tax because he believed it went against the fundamental beliefs of the Democratic Party.[3] Many retailers also opposed it for fear that it would lead to a decrease in sales. One of the groups leading the opposition was the Oklahoma Jewelers Association, who argued that it would be unfair to tax their products, because there was already a ten percent tax imposed on the purchase of jewelry.[4]

Opposition did not stop the sales tax from making it into the legislature, but disagreements between the representatives regarding how to use revenue that was raised

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[1] *Sales Tax Seen as Needed,* The Oklahoman, 15 December 1932.
[2] Ibid.
[3] *Murray Raps Sales Tax in Query Reply,* The Oklahoman, 11 March 1932.
[4] *Jewelers opposing state sales tax*, The Oklahoman, 11 April 1933.
This tax imposed on jewelry was a luxury tax. If the sales tax was passed, jewelry purchases would have sales and luxury taxes imposed on them.

almost prevented the tax from getting passed. By April 1933, most people in Oklahoma believed that the sales tax would not pass.[5] The two main controversies were a provision that would use 7.5% of the receipts from the tax to finance the pension funds, as well as the debate regarding whether all or only a portion of the money raised from the tax should go towards paying down the ad valorem tax on schools (general revenue fund).

Eventually, Oklahoma's legislature came to an agreement on the sales tax, which was to be implemented on August 21, 1933.[6] The percentages as described below describe how the increased revenue was to be allocated..

3% for collection of sales tax
17% for weak schools
30% for common schools
50% for payment of ad valorem tax

The first month alone generated more than $212,035 in revenue for the state.[7] It appeared that the sales tax was definitely aiding the state in their goal to pay down debts.

A few months after the sales tax had been passed, it became obvious that the collection and dispersion structure was severely flawed.[8] After an analysis by the Oklahoma tax commission, which showed that the tax was even more successful in generating revenue than previously believed, the commission found that sparsely populated counties that paid only a small share in collections of sales tax receive a disproportionately large share of the disbursements.

County	Amount Collected	Amount Disbursed	

[5] *Pension plan splits senate on sales tax*, The Oklahoman, 14 April 1933.
[6] *Tax Bill in Brief Form*, The Oklahoman, 18 April 1933.
[7] *August Sales tax soars to 212,035*, The Oklahoman, 22 September 1933. First month's revenue was greater than $212,035 because when the article was published, hundreds of receipts had still not been tabulated.
[8] *Small Sales reap tax aid*, The Oklahoman, 7 December 1933.

Oklahoma County	1,200,000.00	69,359.00	5.780%
Tulsa	161,459.00	62,884.00	38.947%
Beaver	1,099.00	4,629.00	421.201%
Latimer	1,470.00	5219.00	355.034%

This was a concern for large counties like Oklahoma and Tulsa, because counties that received more money from disbursements than they were actually paying in were able to pay down previous years' expenditures much faster.

By 1936, it was evident that the sales tax was an effective resource for helping to balance the budget. However, unforeseen expenses, such as the creation of old age assistance, aid to dependent children and aid to the blind required that states change the way funds were allocated.[9] In 1936, the structure of the sales tax was changed, with half of the revenue going towards aid to the needy, elderly, blind and dependent children and the other half going towards general purposes.[10] With states now providing assistance to the elderly, Oklahoma found that it could release more than three hundred inmates from mental institutions.[11] Those who were released were people who were over the age of sixty-five and therefore eligible for pensions. Many of the people who were institutionalized were not insane or harmful to themselves or others, but simply had not the resources to live on their own. Old age assistance provided an opportunity to live on their own.

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[9] Although the Social Security Act was passed in 1935, it was difficult for states to budget the exact expense of the program into their budget because it was unclear when checks were going to be mailed out to the states, as well as how much money the state would need to provide in matching funds.
[10] *Board Drafts New Schedule on Sales Tax*, The Oklahoman, 10 July 1936.
[11] Ibid.

When the sales tax was first enacted, it was not intended to become a permanent tax. It was set to expire permanently on July 1, 1937. With the state facing a major deficit if the tax was not renewed, the legislature decided to renew the tax through the end of the decade.[12]

With the renewal of the tax also came an increase in the tax of 1%[13], as well as a tax on the purchase of any new or used automobiles.[14] This increase in the tax was intended to help pay for the old age pensions. The new structure of the sales tax allotted the first ten million to pay for aid to old age assistance, dependent children and the needy blind, and anything in excess of ten million would go to the general revenue fund. This was a change from the previous structure, which allotted half of the revenue collected into each of the funds.

The first month the new sales tax was in effect (June 1937), the state realized more than one million dollars more in revenue per month than the revenue from the previous fiscal year (June 1936).[15]

Income Tax

During the Great Depression, Oklahoma had one of the highest income tax rates, both on corporations and individuals, in the country, yet was constantly struggling to guarantee that the state's revenues would cover expenditures during the 1930s. How can this be explained? Why was the income tax so inefficient in generating revenue if it was at such a high level?

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[12] *Sales tax to stay as prop for pensions*, The Oklahoman, 14 April 1937.

[13] It is unclear what the previous tax rate had been, simply that it was below 1%

[14] The previous tax rate had been 1%, and was increased to 2% on general merchandise. Food items and clothing up to $8 was still exempt from taxation.

[15] *Sales Tax return rises 12,617,663*, The Oklahoman, 2 July 1937.

In 1932 the Oklahoma tax commission began to conduct an investigation into the state's failure to collect income taxes.[16] The investigation was sparked by reports, that showed that the state should have received a great deal more money from income taxes than people actually paid in 1931. By September the commission was able to retrieve $109,645 in back taxes from the previous fiscal year with notices continually being sent out to those who had either not paid their income tax or had not paid enough state income tax.

Oklahoma was one of only seventeen states in the country that had a statewide income tax at the time. Oklahoma had originally implemented the tax in 1915 as a means to generate revenue, but found that the current tax laws were not as efficient as the state had hoped for in drumming up revenue.[17] The Oklahoma Tax Commission, as well as the current governor, Mr. Murray, advocated changes to the current tax code, that would hopefully increase revenue for the state. Governor Murray proposed a bill that would make Oklahoma's tax rate the highest in the country, by changing the tax rate from 1% to 5% on net income.[18] At that time, there were no current minimum income limits that one had to reach before they had to pay an income tax. The surtax would also be raised from 0.5% to 5% for individuals making more than $10,000. Corporations were supposed to be hit hardest by Murray's plan, with a flat tax of 10% levied on net income. This was vehemently opposed by multiple members of the legislature, with some even claiming that it was unconstitutional to tax corporations at a different tax rate than individuals. People in the legislature also feared that if the income tax was raised, when it was already

[16] *State Board Check Shows Unpaid Taxes,* The Oklahoman, 22 September 1932.
[17] Ibid.
[18] *Drastic levy would be set upon businesses,* The Oklahoman, 25 October 1932.

the second highest in the country, businesses would be driven out of the state, and farmers would bear more of a burden to pay the tax.[19]

In early 1933, it appeared as if the new income tax would pass quickly, with the House majority on Murray's side,[20] but the bill got caught up in debate for months regarding the exact percentages to tax corporations and individuals, and which clauses should be kept and left out.[21] In July 1933, the House and Senate finally reached a compromise regarding the income tax bill. The corporations would be taxed at the same rate as individuals, and the tax rate for individuals would be one to six percent of net income, depending on how much a person earned.[22] The new income tax was to be effective immediately due to Oklahoma's revenue problems.

For Murray, who had led the fight to raise the income tax, the bill was not good enough, and he vowed that he would kill the bill when it crossed his desk. As there were not enough votes in congress to override the governor, the new income tax was not passed.

Murray's tenure as governor ended in 1934, and Governor Marland had different plans regarding how the state should be run. At the end of 1935, the income tax brought in just under $2,000,000, [23] but most of the money collected was in back taxes. When it was time to collect taxes in March 1936, the tax commission found that less than one percent of all the money from income taxes came from payments for the current year. All the rest of the money was from delinquent payments and audits the state was forced to

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[19] Carlock says rate already far too high, The Oklahoman, 15 February, 1933.
[20] *House to Pass New Tax Bill in Vote Today*, The Oklahoman, 20 Jan 1933.
[21] *Senate Group Alters rate on Income Tax*, The Oklahoman, 28 Feb 1933.
[22] *Income, Sales Tax Measures Go To Murray*, The Oklahoman, July 1933.
[23] *Income tax brings state $1,975,528,* The Oklahoman ,8 November 1935.

send out to collect on back taxes.[24] The board calculated that for the 1935 year, they should have received $2,734,972 in collections, but instead received only $1,975,528. It was clear that the income tax was not the most effective source of raising revenue.

One of the reasons why the collection of income taxes was so difficult was because there were so many individual credits and deductions of which a taxpayer could take advantage, it left most families having to pay little or no income taxes.[25] In 1935, only 1 in 30 families were paying income taxes. In some counties there was only one person in the entire county who paid income taxes that year. In Oklahoma County, it was slightly less drastic, but on average, only one in forty-five families were paying an income tax.[26] After an individual family took advantage of basic credits and deductions, only 35.2% of the population in Oklahoma would even be subject to taxation.

Many of these credits and deductions greatly favored those working in agriculture. Looking at the 1935 income tax returns, ninety eighty percent of the income taxes paid were from people who lived in cities and towns.[27] Only 2.15% of all taxable returns were filed by farmers, and out of those returns, those who did pay, averaged out to pay only 2.12% of what they originally owed.[28] In terms of numbers, only 1 in 745 farmers paid an income tax, and those who did barely made any contribution to the state finances.[29]

[24] The Oklahoman, 7 March 1936.
[25] The Oklahoman, 17 May 1936.
[26] *income tax paid by only one in thirty*, The Oklahoman, 17 May 1936.
[27] *Few farmers make income tax returns,* The Oklahoman, 31 May 1936.
[28] Ibid. Farmers did not have to pay the full amount of what they owed to the state due to deductions and loopholes in the state tax code.
[29] It is important to note that during the decade of the 1930's, farmers in Oklahoma suffered great agricultural strife, including the Dust Bowl, and simply may not have been able to afford to pay taxes.

After these statistics were released, many legislators called for a complete reform of the tax code, or at the very least, changes to the tax code that would make it more difficult for so many people to evade paying taxes.[30]

There was some concern throughout the decade that the high income tax was driving citizens and businesses out of the state. Governor Marland spoke regarding how many of his friends who are businessmen had left Oklahoma for Texas, which does not have a state income tax, because they were being taxed too much in Oklahoma.[31] In Oklahoma, someone who made $100,000 a year would pay $40,956 in total taxes versus someone living in Texas making the same amount who would only pay $18,513. Marland even moved to form a commission to determine how many people had left the state because of the high income tax, and what these people's moving had cost the state in lost revenue.[32] However, this was not a major concern of most legislators, because they had seen how easily individuals had previously been able to get away with paying so little in income tax.

In 1937, collections of all taxes were up, with income tax collections at $6,862,140.[33] This was attributed to a strengthening of the tax code and increased enforcement of taxes and collections. In 1937, more money was allocated for the Oklahoma Tax Commission to better help audit back taxes due to the state, as well as to give the commission more support to enforce the collection of back taxes. In 1937, the passage of a use tax was passed for the first time, which was supposed to help cut down on tax evasion by people who bought items such as cigarettes from other states and were

[30] *Gross income tax in state may be asked*, The Oklahoman, 6 October 1936.
[31] The Oklahoman, 28 March 1937.
[32] Tax refugee study is set. The Oklahoman. 14 December 1937.
[33] Sales Tax return rises 12,617,663, The Oklahoman, 2 July 1937.

not paying Oklahoma state sales tax on those items. Under the new use tax law, no matter where an item was purchased, it was subject to taxation.

Social Security

In 1935, the United States government created a revolutionary new program called the Social Security Act that began, in part, as a compilation of welfare checks from both the federal and state government, who distributed money to those in need of social welfare. The three primary groups were Old Age Assistance (OAA), Aid to Dependent Children (ADC) and Aid to Needy Blind (ANB). In Oklahoma, the state was responsible for enrolling those eligible for benefits and assistance funds, as well as the distribution of state funds. However, with every new program that was created, there were bound to be bumps along the road, and the Oklahoma Public Welfare Commission, in charge of managing those eligible for benefits had more than its share. In its infancy, the program was racked by scandal, multiple battles between the state and federal government, and a suspension of federal funds twice in one year.

When the first of the Social Security checks were mailed out in February 1936, there were thousands who immediately signed up for aid.[34] More than 400 families alone signed up for Aid to Dependent Children in the first week that applications were being accepted in Oklahoma.[35] However, as the program was brand new, there were very few guidelines regarding who would receive benefits (at least in Oklahoma) aside from the assignment of people who loosely fell under the three categories.

In the infancy of the program Old Age Assistance was simply for those who were over age 65, and therefore eligible to receive aid from both the state and federal

[34] *Social Security Checks Are Mailed*, The Oklahoman, 14 February 1936.
[35] *400 Families Ask Child Aid Funds*, The Oklahoman, 22 August 1936.

government.[36] Aid to Dependent Children went to families who had lost one or both of their parents, typically when they were under the age of 16 years, with baseline payments of $2 per child, and a higher payment for the two eldest children.[37] In 1936, the first year the checks were mailed out to dependent children, aid was intended to reach $18 for the eldest child, and $12 for the second oldest. However, there was not enough funding in the state's budget to make that happen for that year. In an effort to guarantee that one family was not receiving multiple forms of aid (i.e. old age and dependent children aid), there was a clause that would drop an ADC family if one or more members were already receiving Old Age Assistance.[38] However, during a time when thousands of people were signing up for aid on a weekly basis in multiple counties, it became quite difficult for the state to guarantee that aid was being properly dispensed.

When the Social Security Act was first created, the welfare checks were financed by both federal money and state money. The federal government was supposed to match the state's share of payments to its citizens, leaving it up to the state's discretion how they were going to finance their programs. [This was up to a max of $15 in federal government aid] Very little is mentioned regarding where specifically Oklahoma received revenue to finance the welfare checks, except in newspaper articles referencing a speech made by governor Marland to the state legislator on December 27th, 1936, in which he pleads with the state legislators to drastically increase aid to both programs. His plan called for a monthly payment increase of $5 to those sixty-five years or older and a

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[36] It is possible there were further restrictions for those to qualify for old age pensions, though I could not find any mention of them.
[37] *400 Families Ask Child Aid Funds*, The Oklahoman, 22 August 1936.
Children to face possible halt in aid, The Oklahoman, 22 November 1936.
[38] *Children to face possible halt in aid*, The Oklahoman, 22 November 1936.

monthly *minimum* payment of $30 per month to ADC recipients.[39] His plan also estimated that approximately 2,000 Needy Blind would need to be covered as well. Many members of the state legislator scoffed at such high numbers for welfare recipients, but little did they know they had actually underestimated the number who would eventually sign up for aid. With the proposed plan calling for an increase in expenditures, the state estimated the cost of such an increase in aid would be $23 million, with the state paying for $13 million in 1937, and the assumption that the federal government would cover the other $10 million. Because this was a drastic increase in unforeseen expenditures, Oklahoma would have to resort to other means to cover the expenses. One of the suggested proposals was a 2% increase in sales tax that failed to pass that year.

In 1937, it appeared as if all was well in Oklahoma in terms of dispersion of aid. The state bragged in their newspapers that they had the highest number of people per capita receiving old age assistance in the country and the fourth highest number of people in the country receiving aid to dependent children.[40] Expenses could be covered through a combination of funds received through previous sales tax revenue as well as matching funds given by the Federal Government. This all changed on February 23, 1938.[41]

The U.S. Social Security Board had begun to investigate where the funds they were sending to states were going, if they were being properly managed, and if only those who were eligible were receiving benefits. The Board found that possibly 1/3 of the recipients of S.S. funds from the federal government were ineligible. With that announcement the Federal Government decided to withdraw funds from Oklahoma

[39] *Ten Millions to Be Sought by Governor,* The Oklahoman, 28 December 1936. Old aid pensioners were $15 a month, and the proposed increase would raise it to $20 a month.
[40] *State Ranks first in Relief to Aged.* The Oklahoman. May 1937.
[41] *1/3 Cut from Checks Due in April.* The Oklahoman. 23 February 1938.

indefinitely, until they could prove that they could properly manage and investigate everyone's eligibility on the rolls.

The main issue of contention regarding the Board and the Public Welfare Commission was the Board's insistence on the creation of a new set of rules regarding who could be hired as caseworkers, as those were the individuals who collected the information and put people on the rolls. The Social Security Board demanded that only those with a college education be able to work as case workers, which would end up excluding potentially thousands of currently unemployed people from work, which Oklahoma did not believe was fair. They believed that those who had worked at the welfare commission office the longest should be able to retain their job, regardless of their education.

The Commission's only immediate solution was an attempt to correct the rolls was to hire an additional one hundred employees to begin investigating the rolls, and a redistribution of employees to different counties.[42] By March 1938, only one month after the federal government had cut off funds to Oklahoma, payments to Social Security dependents were greatly reduced. By drawing on the sales tax revenue, Oklahoma was able to ensure that all those on old age assistance received their full payments, but one-third cut payments to the blind. By May 1938 Oklahoma was determined to keep making payments to those on the rolls, but they found themselves strapped for money. Begging the federal government for money, Oklahoma realized they would go into debt within the next few months if payments were either not reduced or the federal government did not decide to begin contributing again.[43]

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[42] *US Answers No to State's Pension Plea.* The Oklahoman. 1 May 1938.
[43] *US Answers No to State's Pension Plea.* The Oklahoman. 1 May 1938.

Unimpressed by the lack of progress made by Oklahoma regarding any attempts to change their administration or correct the assistance rolls, and recalling that a "flagrant misuse of public funds" was the reasons why the federal government decided to stop matching funds, the federal government continued to deny funds to Oklahoma. By August Oklahoma had begun to take some action reviewing the cases of everyone on the assistance rolls. The findings were not nearly as damning as those originally believed. The Chairmen of the Welfare Commission said of those investigated, only eleven, not thirty-three percent, were found to be ineligible for old age funds.[44] Based on this finding, the Board was persuaded to resume funding for the month of September. In order for Oklahoma to continue to receive funding, however, they would need to set up a merit based system of employment, as well as establish a fund that would pay back the federal government fifty percent of all the money that went to those who were ineligible for benefits beginning in September 1936.[45]

After only one month after the reinstatement of funds, Oklahoma had managed to be incompliant with the rules set out by the Board, and again, the Board suspended funds. For the month of October, $600,000 in funds was held back from the state, for failure to comply with the establishment of a reserve board to pay back the federal government. This coincided with the piece of legislation that was supposed to go into effect in the month of November that would have continued to increase the amount of money paid to Old Age Assistance to $60 a month.[46] The federal government would not agree to cover

[44] U.S. to Boost Pension Grant in September. The Oklahoman. 15 August 1938. As the largest share of welfare recipients were old age pensioners, the commission began with them, as they were receiving the largest share of money from both the state and federal government.
[45] Pension Raise Menaces U.S. Raid to State. The Oklahoman. 21 October 1938.
[46] Pension Raise Menaces U.S. Raid to State. The Oklahoman. 21 October 1938.

such an increase in payments, especially when there were still grave doubts regarding the eligibility of those who were actually on the rolls.

Again, due to budgetary restrictions, Oklahoma was forced to cut aid to Old Age Assistance, ADC and Aid to the Blind by as much as two-thirds in February and was forced to dismiss over half of its staff from the Public Welfare Commission. By March of 1939, however, it had appeared that Oklahoma had finally complied with the wishes of the Social Security Board, and the checks to recipients began to arrive again.[47] The findings of the Welfare commission were that one out of every eight people on the roles was ineligible to receive welfare, with the highest percentage of cases being those of the ADC.[48] In June 1939, there was a complete restoration of federal grants to Oklahoma.

Prohibition

The repeal of prohibition in the United States with the passage of the 21st amendment in December 1933 did not occur because Americans had suddenly regained their taste for alcohol. Nor did it come because people no longer believed in the reasons for which prohibition occurred in the first place. One of the key reasons why prohibition was repealed during the Great Depression and not the Roaring Twenties was because the federal and state governments realized that if prohibition was repealed, alcohol could be taxed, and a great deal of revenue could be generated. When the Federal government repealed prohibition, it was left up to the states to decide whether they would repeal prohibition as well, and if so, how they would tax it, or if they would remain a dry state.

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[47] Welfare Roll Drops 1 in 8 After Inquiry. The Oklahoman. 3 March 1939.

[48] One out of every five cases was ineligible (2,411 out of 10,668)

Even before the Great Depression hit the entire country, Oklahoma was in serious financial trouble. [49] Bank failures were common, agriculture was suffering, and petroleum prices continued to fall.[50] It would seem logical then that Oklahoma would repeal prohibition and collect revenue from the taxes.

One of the largest expenditures in Oklahoma was school spending. All legislators knew that the state was struggling to raise money for the schools, and "wet" legislators believed that if prohibition was repealed, the money that was raised from taxing alcohol could be used to help finance public education. However, the schools did not want to receive any money from the sale of beer. The school superintendent of public education even stated, "As much as the schools of the states need funds in this financial crisis, they don't need that kind of revenue," in reference to a bill that would legalize the sale of a near beer and was supposed to generate three million annually for education.[51]

Ministers, community leaders and religious members of the community all spoke out against the horrors of alcohol and how they believed that if prohibition was repealed, it would ruin the moral integrity of the community. Eventually, the issue of money and increased revenues won out (to an extent), and on July 11, 1933 3.2% beer was made legal in Oklahoma.[52] On the first day that alcohol was made legal, the state made $132,850 simply in the issuing of liquor licenses. As determined by the legislature, the money that was collected from the sale of alcohol went towards the common school fund.

[49] Braeman, John. Robert H. Bremner, David Brody. *The New Deal: Volume II* (Columbus : Ohio State University Press, 1975), 167.
[50] Ibid.
[51] *Schools shun Move to get beer support*, The Oklahoman, 2 April 1933.
[52] 132,850 paid in beer fees on first day, The Oklahoman, 13 July 1933. Other spirits and alcohols were still prohibited in Oklahoma.

By September 1933, the legislative goal of two to three million dollars a year in revenue from the sale of alcohol did not seem possible. Sale of alcohol had started to drop off beginning in August only one month after alcohol had been legalized. The Oklahoma Tax Commission believed that the sale of alcohol would drop even further in the winter months. After recalculating how much money would be raised that year, the commission concluded that only $700,000 would be generated that year. This was mainly because thirty percent of the revenue that had been generated in two months was from the sale of licenses.[53] As licenses only needed to be renewed annually, it was obvious that the sale of alcohol itself was not generating a large percentage of the revenue for the state.

After the first year in Oklahoma when alcohol was legalized, it failed to generate revenue in the millions, as other states were seeing from the taxing of alcohol. Governor Marland argued for lower license fees on beer, because he believed that the reason the state was losing so much potential revenue was because it was so cost prohibitive for retailers to even sell alcohol.[54] Beer dealers agreed with him, and opposed any increase or new law that upped the tax on beer, because it severely cut into their profits. In 1933, in Oklahoma County, a beer retailer had to pay annually these licenses:

- city license of $15 to sell alcohol
- county license of $5 if alcohol was consumed on the premise,
- state license of $250 to make or sell beer

Retailers also had to pay a $2.50/barrel in state tax on beer. For many retailers, the high costs associated with legally selling alcohol were enough to discourage alcohol sales, which was why the sale of alcohol was so low in Oklahoma.

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[53] *State's Beer tax drops as beverage thirst declines,* The Oklahoman, 29 September 1933. Tax collection from July and August netted 92,222.07, with 287,890 generated from the sale of licenses.
[54] Governor to show state what prohibition costs, The Oklahoman, 2 June 1935.

The state legislature was so desperate to collect revenue in any possible way the head of the Oklahoma Tax Commission assured bootleggers that they would not be prosecuted for illegally selling alcohol if they simply paid their income and sales tax.[55] This idea to simply permit bootleggers to continue to operate if the paid their taxes outraged many people in Oklahoma, most especially preachers. They felt that bootleggers should not be able to carry on with their illegal activities, and that they should be imprisoned for their actions. In the preachers' minds, if the government did not raid the bootleggers or imprison them, they were essentially condoning sinful behavior.[56]

When beer taxes and license fees were cut in 1937, dropping state license fees from $100 to $50, and charging only $2.00/ barrel state tax on beer, collections for that year reflected gains in revenue.[57] In 1936, for the month of July the state collected $18,500. In 1937, only halfway through the month, the state managed to collect revenue of $23,030. This could be attributed to the increasing number of licenses that had been issued that year at a much lower cost.[58]By increasing the number of dealers who could sell alcohol without cutting into the state revenue, Oklahoma was able to increase its revenue from near beer sales.

Agriculture Relief

It is difficult to understand the complete history of Oklahoma through the 1930's without examining the agricultural industry, and reforms attempted by the state and federal government. Without the declining property values on farms, and natural disasters that occurred throughout the decade, Oklahoma might not have had such difficulties

[55] *Mum is the word on liquor tax*, The Oklahoman, 5 May 1936.
[56] *Liquor sales tax is halted*, The Oklahoman,14 June 1936.
[57] *Beer Tax Cut not to slash state income.* The Oklahoman, 11 July 1937.
[58] 444 retail licenses were issued in 1937 for $50 each vs. 180 the year before for $100 each.

collecting revenues, and might not have needed to rely on other taxes to attempt to collect revenue.

Beginning in the 1920s property values of farmland were beginning to decline by one-third to one-half.[59] By 1930 crop prices were at their lowest point in thirty years.[60] For farmers living through 1930, they saw their income decrease by 20%, simply due to the massive drop in grain prices.[61]

For the United States as a whole, falling grain prices, especially during a depression was a serious concern. It would mean less income for farmers as well as fewer dollars in revenue for the state and federal government. Understanding that the key to bolstering the falling prices of grain was a decrease in production, the United States Secretary of Agriculture in 1931 encouraged farmers to plant other crops instead of the previous cash crops of cotton and wheat.[62] His plea fell on deaf ears though, as there was only a reduction of three to four percent in the amount of the same crops planted in 1931, in comparison to the previous years.[63] Farmers had been through difficult times before and believed that if they could simply wait for grain prices to go back to 1929 levels, everything would be all right.

By 1932 it became obvious to Oklahomans that the agricultural problems of the state were only going to get worse before they got better. In a report by the Oklahoma tax commission, they found that the total valuation for the state's assessed land had declined by $99,101,950, with the majority share of the decrease being attributed to a devaluation

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[59] Braeman, John. 167.
[60] *Wheat Prices reach record lows in 1930,* The Oklahoman, 2 January 1931.
[61] The drop in grain prices was attributed to a bad crop year, overproduction of wheat and cotton, and multiple other countries, including Russia entering into the foreign grain market.
[62] *Wheat Prices reach record lows in 1930*
[63] Ibid.

to falling property values of farm land.[64] This massive devaluation in property not only meant that there would be a significant decrease in revenue collected in property taxes, but farmers would also not be able to borrow nearly as much money against their property, especially during hard times, when they needed it the most.

Understanding that farmers were feeling a credit crunch, the Oklahoma legislature passed farm relief bills simultaneously with federal relief bills that would allow farmers to borrow money to purchase supplies and materials to tide them over until the next crop season. The reaction to farm relief was mixed. Larger farmers, who were feeling the pressure from a decrease in crop prices, typically took advantage of the program. However, most tenant and smaller scale farmers believed that farm relief would only bring more problems than it would solve. In an opinion piece written by a farmer to the Oklahoma City newspaper, one farmer writes, "Farmers are already in debt. They don't need the government to continue to loan them money." [65] For the family farm, there seemed little point in taking on even more debt when it did not seem that crop prices would be rising in the near future, nor would the continuing droughts cease to end, and it would be impossible to pay back the loan.

By 1933, soil was blown away, the rain refused to fall, and farmers could no longer afford to feed their animals or grow their crops. The federal government, in conjunction with the state of Oklahoma, attempted to restore farm income through restriction and destruction of farmland, as well as the selling off of livestock.[66] The Agricultural Adjustment Act allowed Oklahoma county recorders to identify which

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[64] *Valuation in counties for taxes is cut,* The Oklahoman, 10 July 1932.
[65] *Lending is no cure,* The Oklahoman, 30 October 1932.
[66] Braeman, John. 177.
The Oklahoman, 17 March 1933.

farmers were in need of the most aid, and then the federal government would pay these farmers to not plant crops on it (so the supply of crops would go down) and farmers could also sell off livestock that would be sent to slaughter.[67] Although some critics of the program referred to it as “plow up and kill,” most of the land that was sold off was land that had been exhausted and many farmers were so desperate for money, they could barely feed their families, let alone their livestock.

For those not living in Oklahoma during the Dust Bowl, the attempts by legislators to establish drought relief and soil conservation were not the most pressing issues of the day. But for those living in Oklahoma, these programs were the key to preventing another dust bowl from occurring again. Beginning in 1935 newly elected Governor Marland immediately emphasized the importance of creating a flood control board that would combat wind and soil erosion.[68] Looking around the state and seeing farms literally blown away, programs that would require people to build flood planes or plant trees would not only give jobs to farmers who desperately needed the money, but would also help to prevent future dust bowls from occurring again once the agriculture had recovered. Marland pledged that if the federal government would give $500,000 towards this program, then the state would pay the overhead costs.[69] This program was combined with a similar plan of President Roosevelt who suggested that a shelterbelt of trees and shrubs be planted in Oklahoma in an attempt to slow the drifting of soil and retain the moisture in the water.[70]

[67] Braeman, John. 177.
[68] The Oklahoman, 13 April 1935.
[69] Ibid.
[70] Braeman, John. 177.

Despite the fact that few politicians outside the panhandle realized the gravity of the dustbowl[71], Governor Marland was able to continually turn to President Roosevelt for support and funding of his programs. In early 1935, before the Supreme Court found it to be unconstitutional, a joint effort was made by the AAA and Oklahoma to set out a plan to put farmers back to work that would also encourage them to conserve the resources.[72]

When the programs implemented by the AAA were found to be unconstitutional, much of the work shifted over to the responsibility of the WPA. Individual families who had applied for aid, such as drought relief, would be identified by the state officials, and eligible to be put to work on jobs that would prevent further droughts from occurring again.[73] In the first week of the program, Oklahoma was able to sign up 40,000 individuals, with hopes that increased funds would allow the state to add more to their roles. Programs such as these, where families were able to visibly see the results of their labor in the building of ponds, reservoirs of improvements of farm-to-road markets were much more well received in Oklahoma than programs that either simply encouraged farmers to plant different crops or relief efforts that simply gave money to farmers in need.[74]

Drought relief programs under the WPA may have been well received, but the program was short-lived. Less than a year after Drought Relief had become the responsibility of the WPA, the federal government transferred responsibility of the program to the Resettlement Administration, and required that all those currently on the

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[71] Braeman, John. 185.
[72] *Revised Farm Policy to be started soon.* The Oklahoman. 22 March 1936.
[73] Work ready for farmers, The Oklahoman, 22 September 1936.
[74] Braeman, John. 186.

roles be drastically cut, so only the most needy would be eligible for relief.[75] By January 1, 1937, the rolls for drought relief needed to be completely cleared. This drastic cut and clearing of the rolls would stop funding to 30,000-58,000 farmers during the winter time, during which they would need aid the most.[76] The federal government's justification for clearing the rolls and transferring power from the WPA to the RA was that they believed the key goals of the WPA were to give jobs to WPA workers. When Drought Relief was added to the WPA, funds towards other types of employment were cut.

With the re-arrangement of Drought Relief, it was evident that farmers would go without aid for multiple months. Sensing that there was a lack of understanding regarding the severity of the need for agricultural aid in Oklahoma, Governor Marland spoke to the President in an attempt to garner further aid.

> **Marland**: "Mr. President, what are we going to tell the 100,000 hungry farmers in Oklahoma tomorrow when we go home?
> **Roosevelt**: You are going to tell them that the Federal agencies are getting busy on it just as fast as the Lord will let them…
> **Marland:** That is small consolation for the hungry farmer."[77]

To Governor Marland, it was clear that the President and the county did not fully grasp the gravity of the situation. Marland attempted to inform other politicians about the drought crises faced in Oklahoma by holding Drought Relief conferences with multiple politicians in an attempt to garner support from senators and legislators from across the country.[78] He hoped to not only bring attention to the issue, but also garner support for his programs.

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[75] *Drouth roll knife ready for slashes,* The Oklahoman. 26 November 36
[76] Ibid.
[77] Braeman, John. 185.
[78] *Marland Says farmers need help at once*. The Oklahoman.10 November 1936.

One of the difficulties for those still living in the dust bowl region was that the rest of the country believed that the drought and dust storms were finally over.[79] Most everyone across the country had heard of the terrible dust storms that blanketed states with dust and destroyed crops in 1935, but for those outside the region, most legislators tended to believe that there was little need for drought relief in 1936 or 1937 because farmers were finally doing better. Marland wanted to communicate that although the worst of the dust storms may be over, the drought was still not over for the farmers, and most could barely afford to feed their cattle or purchase supplies for farming.[80]

Marland's plan to continue to combat drought was the same basic formula as what he had advocated in previous years. He wanted to put farmers back to work on farms, where they would be able to build ponds, reservoirs, and other systems that would help promote drought relief should another major drought occur in the region. This would allow farmers the flexibility of having a paying job, while still being able to attend to their crops.[81] This program had seen success in the WPA, and Marland wanted to guarantee that similar programs would continue under the RA. Programs of this nature would be under the supervision of that state county agent, which would designate the location for the building of these facilities, but the Resettlement Administration would fund the programs.

Those across the nation finally acknowledged the demand for drought relief programs in 1937, when the Undersecretary of Agriculture outlined a program for drought relief that would use "every agricultural department resource to help drought-

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[79] Ibid.
[80] Ibid.
[81] State drouth relief funds benefit many, The Oklahoman, 26 October 1936.

devastated western areas facing the most distressing conditions in history."[82] The Undersecretary acknowledged that based on surveys of land the areas where drought relief programs had been implemented were "visibly better off than others where there had been no other program."[83] For a state like Oklahoma, where more than *eighty percent* of the total land in the state had been affected in some way by soil erosion, and 36 million acres had been severely damaged, this was significant that the programs being implemented by the state and federal government were trying to prevent further damage from occurring.[84]

Conclusion

Throughout the 1930's, the state was faced with multiple problems in collecting taxes and raising revenue. At the beginning of the decade, the sales tax was identified as a one of the primary sources of raising revenue for the state. When unexpected costs were incurred by the state, though, the legislators found it difficult to raise additional revenues through an increase in taxes, due to the continuing debates in congress regarding how an increase in a tax would read. Clashing opinions of legislators and stubborn governors sometimes dampened the raising of revenue, and even threatened to throw the state into a deficit.

The state was racked by inefficient and incompetent tax collection systems that let large percentages of the population get away with tax fraud. From the fraud committed by bootleggers in the sale of alcohol, to the ninety-eight percent of farmers who were able to pay no income taxes, the state realized that there were serious loopholes in the tax codes that were preventing adequate collection of revenue.

[82] *Drought Belt Pushed ahead,* The Oklahoman, 27 May 1937.
[83] Ibid.
[84] *Erosion saps 80 percent of land in state*, The Oklahoman, 18 June 1935

If not for the Dust Bowl, it could be speculated that some of these taxes would not have had to have been passed in the first place. Farmers' entire income was wiped out, and could not even pay for food for their family, let alone their taxes. Farmers were dug so deeply into debt that they typically scorned many of the first types of farm relief that were passed by the state to help them and were often hurt by the constant fluctuations in whether they would be able to receive aid.

Oklahoma began an uphill journey attempting to convince the country of the problems associated with the Dust Bowl, and the need for reform in agricultural policy. They were one of the first states that understood the importance of changing current policy, and attempted to take multiple preventative measures to ensure that a dust bowl would never bring the kind of economic disasters that it brought during the 1930's.

Categorizing the Data

After compiling a state history of Oklahoma, it was necessary to look back at the state and federal financial statistics to guarantee that the data that was collected supported the information that was stated in newspapers and reports published in Oklahoma during the 1930's.

Unfortunately, the state and federal financial statistics are all categorized differently, and it was necessary to categorize all of the state statistics under the headings provided by the federal government. The only year from the 1930's that matched up across both the state and federal statistics was 1937, so the following categories were used to categorized the receipts for each state:

Property Taxes
Income Tax
Inheritance and Estate Tax
Poll Tax
Severance Tax
Sales Tax
Business License Tax
Nonbusiness License Taxes and Permits
Unemployment Compensation Taxes
Incorporation Taxes
All Other Taxes
Special Assessments and special charges - for operation and maintenance
Court Fines and Forfeits
Commercial forfeits
Escheats
Grants by the United States Gov't
Grants by Minor Civil Divisions
Donations from Private Sources for-Principal for Public Trust funds

Donations from Private Sources for - All Other
Pension Assessments
Highway Privileges
Rent of Investment Properties
Interest
Contributions from public service enterprises
Charges for current services

Many of the categories above had additional subcategories that were designated by the federal government, and were used as a means of segregating out different forms of revenue.

The categories for expenses are as follows:

General Administrative, legislative and judicial
Protection to person and property
Highways
Development and Conservation of Natural Resources
Health and Sanitation
Hospitals and Institutions for Handicapped
Charities
Correction
Schools
Libraries
Recreation
Miscellaneous

When actually categorizing the data, there were various subcategories under each heading for expenditures that were guided by the categories used by the federal government for when they organized the reported revenues and expenditures for each state during the 1930's.

When entering in the receipts and expenditures for Oklahoma, and then trying to get the data to match the categories set forth by the federal government, the process was quite simple. It became apparent early on that the numbers were not going to line up, but most of the line items for Oklahoma were quite obvious where they fit in terms of categorization. Items such as sales and motor tax were called “sales tax,” “gasoline tax,” and “petroleum tax.” For most of the categories, the items that fell under it were quite obvious as to what items fit where.

There were some categories however, such as the “Sales Tax- Alcoholic Beverages” that were unclear where the items were to put under the category. By 1937, Oklahoma had legalized the drinking of a certain type of alcohol, so it would make sense that they would report some kind of revenue from alcohol sales in their reports, but there were no items on the *Oklahoma* side that reported anything related to the sale, making or distribution of alcohol in either their expenditures or their receipts. According to the federal government though, Oklahoma received $919,738 in sales tax from the sale of alcohol in 1937 though.

In terms of expenditures, the same usually held true, that most of the expenditures listed for Oklahoma were quite obvious as to where they should be categorized. Items such as “Fish and Game” obviously fell under the *Fish and Game* category, and hospitals were categorized under *Health and Sanitation.* The only difficulties for the expenditures was that there were many various subcategories for each category stated, and for items that dealt with the legislature, it was occasionally unclear if an item fell into one category or the other. However, this would not have affected the overall total of a category even if there were variances some mischaracterizations among the subcategories.

When comparing the receipts and expenditures that were recorded and reported by federal and Oklahoma government, it is difficult to draw many conclusions from the data, because there were so few points on which the data actually line up. In Oklahoma, it appears that either the state government either consistently underreported their earning and expenditures, or the federal government consistently over reported Oklahoma's earnings and expenditures.

For example, in 1937, the federal government reported that Oklahoma took in $28,191,411 in sales tax revenue. When one adds up all of the sales tax revenues that Oklahoma reported it comes to $18,121,855. This is a difference of $10,069,555.61 that is unaccounted for. If one goes through the data for Oklahoma revenue, it is not simply the case that in some categories the sate underreports, and in others, it over reports, which could help explain these wild variations in numbers, and balance out these discrepancies. It is a case that state consistently reports figures way below the federal government, and the federal government reports figures that are way above the state findings.

However, there were a few categories on which federal and state spending was able to match up. Simply to highlight some of the major discrepancies between the federal and state government reporting are some of the figures from both categories reported below.

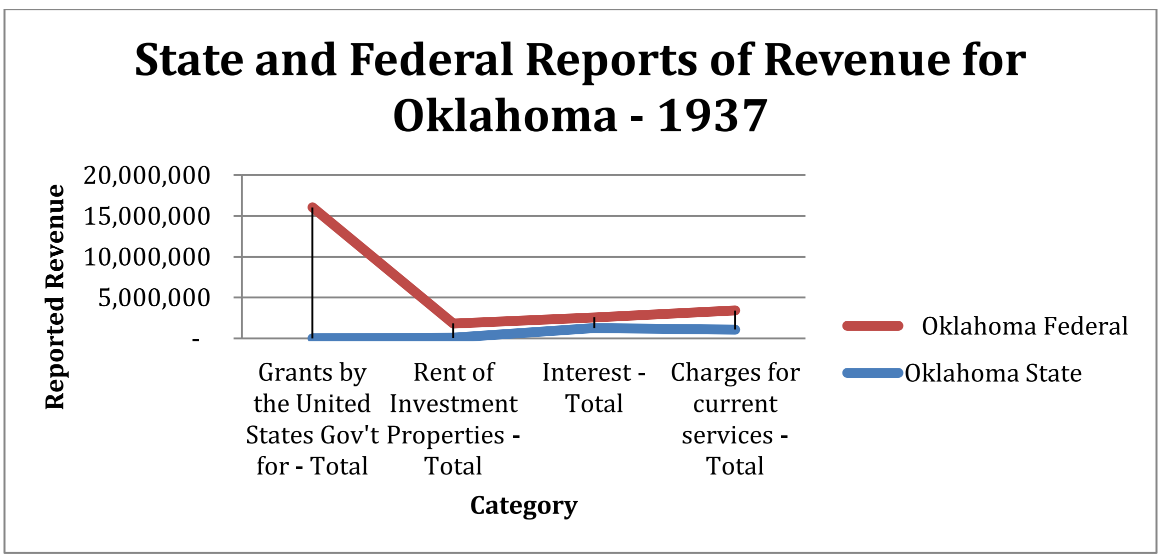
Revenue/ Expense	Category	Federal Revenue	State Revenue
Expense	Protection to person and property - Fish and Game Warden	1,669,556	90,496
Expense	Highways - Total	14,293,454	5,785,704
Expense	Development and Conservation of Natural Resources - Geological Survey	224,908	11,015
Expense	Health and Sanitation - Total	638,143	83,994
Expense	Hospitals and Institutions for Handicapped - Special- Insane - State	1,281,753	51,452
Revenue	Charges for current services - Schools	1,157,823	-
Revenue	Rent of Investment Properties - All other	933,431	73386

Revenue	Grants by the United States Gov't for - Total	16,060,399	-
Revenue	Nonbusiness License Taxes and Permits- Motor Vehicle	4,987,046	629,918

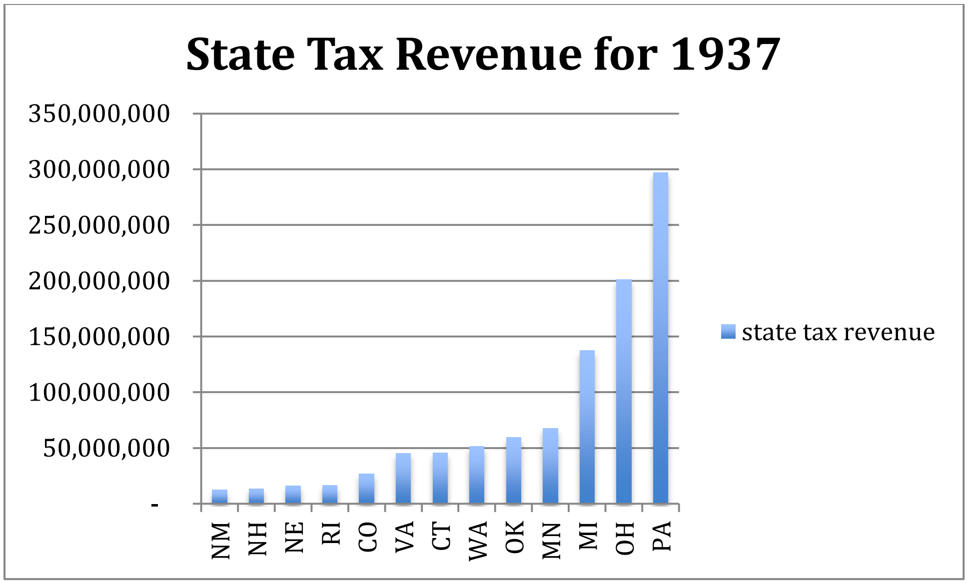
As it is noted in the chart, the state of Oklahoma does not report grants from the federal government in their revenue, which should constitute a large proportion of the state's revenue. During this period, there were issues between Oklahoma and the federal government regarding whether or not the state would receive grants, and by 1937, grants to the state had been revoked multiple times. This could help to explain why Oklahoma did not report the grants they were uncertain they would receive as revenue, but it does not help explain why grants were simply excluded from the revenue category for Oklahoma.

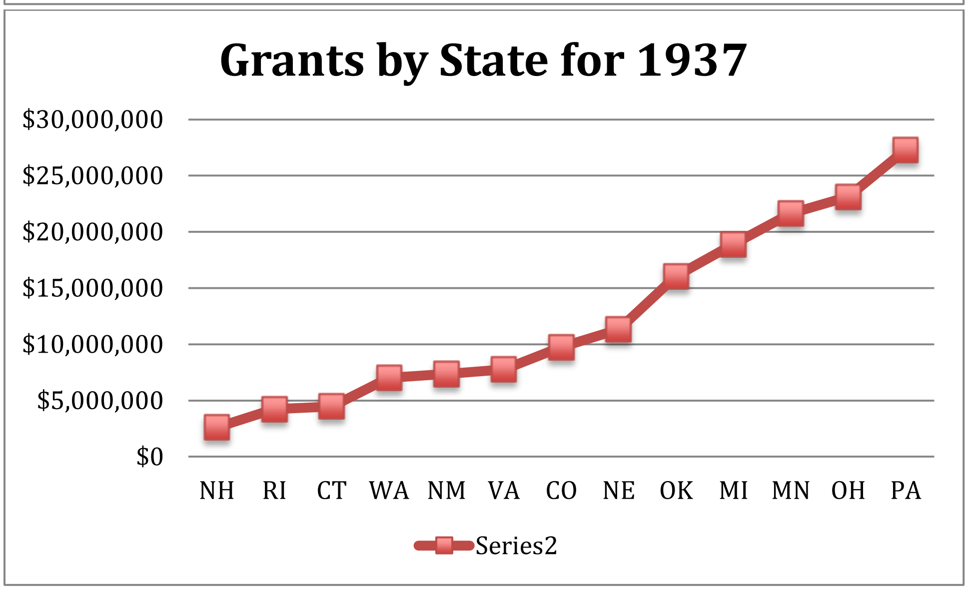
To understand the major discrepancies in the data, I looked at the four major categories under revenue (Grants by the United States Government, Rent of investment properties, Interest, and Charges for current services) where there was sufficient data for comparison between the state and federal government for the year of 1937. Although there were other categories where there was data was occasionally reported, such as Special Charges and Assessments, Court Fines, and Donations, there was not data from both the Federal and Oklahoma government for these categories, so it would be difficult to compare these. The graph below shows that there is a major discrepancy between the federal and state reporting in regards to the reporting of grants awarded to the state of Oklahoma. Although Oklahoma reports that they did not receive any money from the Federal government, the federal government reports that they awarded Oklahoma $16, 060,399 in various grant money. The exact amount of grant money cannot be known for certain, but it is supported by Oklahoma's newspapers and reporting that they were awarded some money in terms of grants. On April 10, 1937, *The Oklahoman* reported that Oklahoma was to receive $300,000 in aid from the federal government for Aid to Dependent children, and on July 1, 1937, federal aid for the same program was renewed with $176,259 being granted to dependent children, and $13,267 being granted towards blind children. It appears that if one were to go back and look through Oklahoma newspapers for this time period, it would become evident that the state was awarded some form of grants, although it would be difficult to discern if the figure given by the federal government is the correct statistic for the amount that the state of Oklahoma actually received for that year.

It is possible that the reason that grants were not included in the revenue was because that was not the way that the state reported revenue in their accounting, because grants were never reported in any of the years from 1933 – 1937.



To give a comparison of Oklahoma's revenue and grants in comparison to other states in 1937:





Running the Regression

After the data for Oklahoma as well as twelve other states had been categorized, we were able to compile a database of information and run a regression on the data to try and determine what variables affected per capita state revenues (without federal grants). When the regression is run, looking at the coefficient on income will show that a dollar increase in per capita income will raise per capita state revenues (e1yrpc) by the coefficient amount. Before running the regression, it was necessary to select which variables to use as the independent variables. There were multiple variables to choose from that could have a possible effect on the per capita income, but the ones that I believed would have the greatest impact on the dependent variable are described below.

Per Capita Auto Registration –Per capita auto registrations are expected to be positively associated with per capita state revenues for two reasons. First, the payments for auto registrations became revenue for the state. Second, because more autos would lead to more gasoline consumption, and more tax revenues from gas taxes. Third, this may be capturing the higher part of the income distribution as well in public works grants.

Public Works Grants - Like per capita auto registrations, I predict that public works grants by the federal government will have a large effect in increasing income. The public works programs were supposed to be set up to be matching programs between the state and federal government, but greatly varied by state. Some states contributed large sums of money to the program, while other states did not. The state dummy variables will help to control for the variances between each individual state. Because the states did not have to contribute as much money to set up public works programs that would eventually benefit the state, the state would have received the monetary and social benefits from establishing these programs without actually having to significantly contribute to these programs.

Per capita federal relief – The variable per capita federal relief was selected to attempt to measure the impact that adding federal relief had on income. When the federal government gave relief to a state, it was typically because the state had a large poor population, or was in dire need of federal relief. After the relief was given out though, it was sometimes up to the state to decide how much they wished to contribute towards relief. For states that participated in matching programs, the state would have had to spend an equal or partial amount of money on relief, bur for other states, they might have decided to spend money elsewhere, so it is difficult to predict what the effect of this variable will be on per capita state revenue.

Per Capita Federal Farm Loans – I do not believe that the per capita federal farm loans will have much impact on the independent variable. In theory, the loans should increase the income of individuals, because they now have more money, but these loans that were given were controversial. Based on my knowledge of Oklahoma farm loans, many of the farmers were quite reluctant to accept these loans, and they only helped the large farmers, and did not usually help increase the income of the small farmers. I have included this variable to try and see if the federal farm loan programs actually did have a positive or negative effect on income.

Per Capita Value of Farm Animals – The last variable selected was per capita value of farm animals. This variable was selected because there is a possibility that it might not be captured entirely in the per capita state income, because it was not something that a farmer sold during the year, only something that they owned, but did have an effect on the revenue of the state. I suspect that if this variable does have any effect, its magnitude would be vary small.

After deciding which variables to select for the regression, multiple regressions were run. The first regression was run simply with the independent and dependent variable, and then adding in one of the correlates at a time to see what the individual correlates effect was on the dependent variable. The next step was to run a regression with the independent and dependent variable together with the five correlates and examine the results. Next, it was necessary to run a regression with the five correlates along with the state and year fixed effects. The final regression was run and added in the state time trends.

The results from the regressions are shown below:

VARIABLES	(1) Per Capita state tax and nontax revenue	(2) Per Capita state tax and nontax revenue	(3) Per Capita state tax and nontax revenue	(4) Per Capita state tax and nontax revenue
Estimated real per capita state income	0.0246***	0.00259	0.0286	0.00806
	(0.00807)	(0.00880)	(0.0456)	(0.0609)
Per Capita Auto Registrations		80.27	767.0**	1,129**
		(64.63)	(365.5)	(518.1)
Per Capita Public Works by the Federal Government		-0.0442	1.455	1.259
		(0.577)	(1.104)	(1.242)
Per Capita Federal Grant Relief		0.478***	0.221	0.0202
		(0.0937)	(0.245)	(0.345)
Per Capita Federal Farm Loans		0.00665	0.283	0.283
		(0.121)	(0.184)	(0.181)
Per Capita Value of Farm Animals		0.122	0.259	0.154
		(0.219)	(0.385)	(0.411)
Year32			24.47**	19.25
			(11.67)	(13.23)
Year33			23.45*	13.59
			(12.11)	(13.73)
Year34			-4.694	-5.502
			(21.72)	(25.20)
Year35			2.227	-5.218
			(14.61)	(21.13)
Year36			3.040	-7.063
			(18.89)	(31.21)

Year37			-3.367 (18.04)	-21.72 (34.44)
Year38			14.80 (17.00)	-8.398 (33.80)
Year39			4.040 (21.24)	-19.52 (41.99)
Year40			0 (0)	0 (0)
State Trend CT			-58.52 (39.72)	6.284 (78.08)
State Trend NH			-49.21* (24.91)	-83.37 (78.78)
State Trend RI			-62.56** (30.97)	-15.20 (81.71)
State Trend PA			-17.91 (21.95)	-31.15 (73.78)
State Trend MI			-58.95* (35.27)	-64.26 (70.01)
State Trend OH			-75.52** (35.43)	-154.0* (79.60)
State Trend MN			-83.27** (38.07)	-115.1 (79.86)
State Trend NE			-103.7** (46.96)	-102.0 (97.06)
State Trend OK			-15.61 (23.13)	-7.305 (71.37)
State Trend CO			-97.18** (38.34)	-141.6 (86.13)
State Trend NM			-21.33 (25.91)	-33.37 (81.28)
State Trend WA			-71.66* (38.69)	-108.1 (82.75)
Time Trend MA				0 (0)
Time Trend NH				5.892 (5.248)
Time Trend RI				1.029 (4.548)
Time Trend PA				5.424 (4.797)
Time Trend MI				3.022 (4.419)
Time Trend OH				8.032 (4.929)
Time Trend MN				4.601 (4.701)

Time Trend NE				1.619 (5.418)
Time Trend VA				4.479 (5.130)
Time Trend OK				2.875 (4.811)
Time Trend CO				5.762 (5.268)
Time Trend NM				5.098 (4.993)
Time Trend WA				5.025 (4.975)
		(0.244)	(0.371)	
Constant	37.99*** (9.751)	23.36 (14.34)	-103.6** (45.82)	-186.5 (115.3)
Observations	129	116	116	116
R-squared	0.068	0.304	0.489	0.518
Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1				

As the table above shows, there was some change in the coefficients when adding in the controls for state, year effects, and time trends. When looking at the regression of the correlates by themselves, the estimated real per capita stat income is 0.00259 (as opposed to 0246 without the correlates). When the state time trends are added in, the coefficient jumps back up to 0.0286, meaning that for every additional dollar of per capita income, state revenues are raised by 2.86 cents. This amount would not be unusual given that state revenues as a share of GDP nationally were about 2 percent. However, once all the correlates and almost every possible fixed effect is controlled for in the states, including and year, state, and time trends are added to the regression, the dependent variable coefficient falls back down to 0.00806 and becomes statistically insignificant. This would mean that for every dollar of per capita income raised, state revenue is raised by only .806 cents.

It would make sense that when nearly every possible variable among states is controlled for, including differences in income taxes, the variances in grants that were allocated to the states, an agricultural phenomenon such as the Dust Bowl, changes in population, wealth, and politics, as well as many more, the results that would occur would show that taken as a whole, these would have a very minor effect on the per capita state tax and nontax revenue, which is what our data showed.

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