UTAH AND THE NEW DEAL:

AN ECONOMIC LOOK INTO THE STATE'S RESPONSE TO FEDERAL PROGRAMS

By

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With Honors in

Business Economics

THE UNIVERSITY OF ARIZONA

M A Y 2 0 1 3

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ABSTRACT:

After the financial crash of 1929, the federal government implemented a series of policies and programs designed to help state governments resolve the unprecedented financial issues. During this time, there are reported discrepancies between what the states reported on its financials and the federal government reports. In addition, there is missing federal data for certain years. This paper examines the state of Utah and its response to the New Deal during the 1930s. Taxes implemented by the state are reviewed, as well as any controversial issues presented during this time. State financial data is then combined with federal data throughout the time period, as well as data from additional states. A regression analysis is then presented on variables that impact the per capita revenue for the state, determining what factors had the greatest impact on state revenue during the time period.

Utah and the New Deal

I. Introduction

When the stock market crashed in October 1929, the United States was sent into a depression that would last throughout the 1930s until World War II. The federal government stepped in to help the states throughout this time with the passing of President Franklin D. Roosevelt's New Deal. With the New Deal, states received funding by complying with the laws established. States reacted differently to the New Deal, ranging from scandal in order to minimize aid received to cooperative compliance by those who agreed with the new policies. Throughout this period, many states would establish welfare programs and taxes never before seen at the state level.

This paper examines the state of Utah's reaction to the New Deal. While Governor Blood was a fiscal conservative, he complied with New Deal policies in order to help Utah residents. He was also strongly supported by Roosevelt throughout the years (16). As a result, Utah did not have major scandals during the Great Depression. Utah's leaders focused on complying with the New Deal policies, even holding special sessions in order to comply with new federal laws.

This paper takes a comprehensive look at legislation enacted in Utah in order to help balance the state's budget and reduce the deficit. I begin by looking at the programs established by the Utah State Legislature, including the evolution of unemployment compensation and public welfare. I then examine the significant taxes passed by the Utah Legislature, including the establishment of a state income and sales tax, as well as other taxes that provided revenue for the state.

I then take a look at data provided from Utah and the federal government. I look at the data to see if the legislation passed by the Utah state government had an impact on revenue and expenses for the state. Finally, I run a regression to look at several variables and how they impact revenue for the state.

II. Progression of Unemployment Compensation

Prior to the Great Depression and throughout its early years, Utah had not developed any regulations regarding unemployment compensation for its citizens. After the stock market crash, unemployment began to escalate on the national level, and the Utah state legislature saw a need to help its concerned citizens.

The first attempt at helping the unemployed citizens of Utah was in 1935, with the passage of the unemployment reserve law. Under this legislation, which passed before the federal unemployment insurance policy, those who were eligible for benefits received fifty percent of their average weekly wages, with a minimum set at six dollars per week and a maximum of eighteen per week. The eligibility was based on a standard set by the Utah state legislature, which had certain requirements including that the person had to be unemployed for two weeks within a thirteen-week period. (4) Funding for this legislation was provided through contributions from employers, who would pay three percent of their payroll. In addition $25,000 was appropriated by the state legislature from the state treasury where these funds were not otherwise appropriated. The goal was to refund this money to the state treasury in three years' time. The bill was approved on March 25, 1935 (4).

While this was a partial temporary fix for Utah, this legislation soon ran into problems. In August of 1935, the federal government approved the Social Security Act, which, among other things, established the federal law for unemployment compensation. Utah maintained the legality of their law after the approval of the Social Security Act, but Governor Blood would have to call a special session in order to make corrections to comply with the Social Security Act.

On August 24, 1936, Henry Blood, Governor of Utah, called a special session with the goal of swiftly approving a drafted bill of unemployment compensation. During Blood's proclamation of the special session, he explained the nature of what was happening. Utah passed the Unemployment Reserve Law in March 1935, before the passage of the Social Security Act in August. While he and others believed that Utah law was still legal, they asked the federal Social Security Board to take a further look into the law. The board found Utah's law to be in violation of the Social Security Act, and Utah now failed to qualify for federal money under its new enactment. This meant that Utah employers would pay a federal payroll tax, but they were not entitled to the benefits of these payments. Utah needed to enact new legislation that would comply with the federal program (7).

Blood further explained that the goal of the special session in 1937 was to be proactive in complying with the federal law, which gave Utah the ability to be retroactive in regards to collecting the subsequent “payroll tax” for that year. In addition, if states did not comply with the new federal law by the end of the year, they would begin facing heavy penalties (7). Blood anticipated that the bill would pass, noting that a two-thirds majority would make it effective immediately, while a simple majority would still pass the bill. The Social Security Board representatives sent at the request of Governor Blood drafted the proposed bill.

The new proposed bill had to comply with titles III and IX of the Social Security Act of 1935, which dealt with the imposition of taxes and the ability to receive grants. Essentially, Utah needed to correct its law to conform to title IX to receive benefits granted to states from title III. In the proposed bill the goal was for the Utah government to receive almost $700,000 in taxes from Utah employers. In addition, the bill provided weekly benefits of 50% of full time wages to those unemployed; with the amount no lower than seven dollars per week and not exceeding fifteen per week. To be eligible for benefits, a person had to make a claim, register for work at the employment office (time and frequency determined by a commission), be physically and mentally able to work, have been unemployed, without receiving benefits, for two weeks (which could be nonconsecutive within a thirteen week period) and had to have had at least sixteen weeks of unemployment. The tax rate established in the bill started at 0.9% in 1936, and grew to 2.7% by 1938. After 1941, the rate was established based on the experience paying out benefits to the firm's workers. The money would be pooled together into one fund, and distributed to whoever needed it. The state treasurer would be the treasurer and custodian of the fund. Also, the law created two divisions – the Utah State Employment Division and the Unemployment Compensation Division. Finally, in order to make sure that this bill would make Utah eligible for the grants, they repealed Chapter 38 of Utah State Laws 1935 and any other laws that conflicted (12).

The bill was expected to move swiftly through Utah's house and senate. However, even the day after the session was called, lawmakers began questioning the bill and the approval did not happen as immediately as originally thought (9). Some legislatures threatened a rebellion because Blood vehemently opposed augmenting the agenda of the session beyond they unemployment bill. In addition, there were questions surrounding the confirmation of interim appointments. Most importantly, legislators were questioning whether the bill was the only solution that they could adopt (9). Citizens and editorialists agreed with the caution that at the legislatures, for theories about unemployment compensation and its effects have never been previously studied or fully implemented by any government (8).

The next day, the industrial commission presented five recommendations for the proposed bill. Later, Utah state senators began questioning the legality of the bill, wondering whether they could actually collect the payroll tax (10). The bill was presented with less questioning in the house. Finally, after nearly four days of debate, the bill was passed unanimously in both houses, and Governor Blood signed the bill into law on August 29, 1936 (11, 12).

The law established a new era for the federal government and Utah. While Utah had tried to implement an unemployment compensation law, the state was no longer able to use their original law with the passage of the Social Security Act. This gave Governor Blood an opportunity to work with the federal government in achieving the goal of aiding the unemployed.

III. Utah Public Welfare Changes through the 1930s

An increase in public works development began in Utah in 1933 when the National Industrial Recovery Act passed Congress. This act led to the establishment of a public works program in Utah, and created Chapter 22 in the State Laws of Utah 1933 in the second special session, regarding public works projects. Public works programs for waterworks systems, sewer systems, sanitary disposal equipment and appliances, ice plant, gas/electric plants, hospitals, toll booths and many more began to receive money for the construction or repairs of public facilities under the National Industry Recovery Act (3).

Public welfare for the poor gained traction in Utah in 1935 with the passage of Senate Bill 233, creating the State Department of Public Welfare. The department consisted of a board and director. The director controlled the funds and distributed them where appropriate. In addition, the department could establish departments of public welfare in counties or districts applying for state federal funds. The bill did not provide appropriations or establish specific programs to implement for the funds, but it did coincide with Senate Bill 232 entitled the Emergency Relief for Destitute Residents. Under this law, the state department administered relief to those residents who were destitute and in necessitous circumstances. Various types of relief could be offered and distributed including food, clothing, fuel and other supplies. In addition, the state department could collaborate with counties, cities, towns or private charities to bring relief (4).

In 1937 Utah created more specific guidelines related to who would receive aid from the public welfare department to align with the receiving of federal grants. The first major change was the implementation of the old age assistance program. This provided aid to residents who were 65 years or older, had lived in the state for 5 or more years, were not an inmate, had the need, had not transferred property to render themselves eligible, did not need continuing institutional care and had not committed a felony within the last ten years. The provision gave those eligible thirty dollars a month, less than one twelfth of the average yearly income of the participant from all other sources. However, they were not prohibited from giving additional assistance to those who had doctor's bills, prescription medicine, hospitalization or a specialized diet. The funds for this program came from funds granted to the state of Utah from the federal government directly specified for the needy over 65 (5).

In addition, Senate Bill 128 was passed, granting assistance to people in necessitous circumstances, more specifically to aged persons, dependent children, and the blind. The county department determined the amount of assistance granted to these groups. The bill also provided more specifics for blind persons, instructing boards to make available to all needy blind an opportunity for educational and vocational advancement, which could be offered through any state, public, or private institution. If the person refused, however, they ran the risk of having their monthly allowance discontinued. The discontinuation of the monthly allowance could also occur if they have been professionally recommended treatment and they refuse said treatment (5).

In 1939, some changes were made to some of these welfare programs; changes to the technical terms for the Department of Public Welfare and requirements for old age assistance (6). However, the overall goal of public welfare and its programs remained the same. The goal in the beginning was to help the needy, and through federal grants and other legislative agendas, changes began to happen to Utah's public welfare system in the later years of the Depression.

IV. Evolution of Income and Sales Tax within Utah

Income Tax

The federal government established income tax rates in 1913, long before the Great Depression and the New Deal. In contrast, Utah enacted their first set of personal income taxes in 1931. The establishment of the tax was the result of constitutional amendments pertaining to tax revisions voted on in the November election of the previous year (1).

Table 1: Income tax of 1931

Income	Tax Rate 1931
First $1000	1%
Additional $1000	1.25%
Additional $1000	1.50%
Additional $1000	1.75%
Additional $1000	2%
Additional $1000	2.25%
Additional $1000	2.50%
Additional $1000	2.75%
Additional $1000	3%
Additional $1000	3.25%
Additional $1000	3.50%
Additional $1000	3.75%
Excess of $13,000	4%

The individual income tax established in 1931 established a progressive tax system. As seen in Table 1, the tax began at one percent for the first $1000 in income, and increased by a quarter percent for each additional $1000 until four percent was reached, which was the rate for the additional income above $13,000. The tax was not imposed on banks, corporations, companies, joint stock companies/associations, business trusts or any other associations. It was strictly tied to personal income. The tax could be offset by 33.3% of the amount of property taxes. The exemptions included $1000 for an unmarried man, $2000 for a married couple, and $400 for each child/dependent (1).

The bill passed the state house with little to no debate with a 39-11 vote (5 absent) and passed 15-5 in the senate, again with little debate. However, some senators expressed concern about the bill. One of the major concerns was that the bill would not affect rich women but would damage the “washer women” of the state. In addition, senators were concerned about the level of opposition by constituents, primarily in Salt Lake City, where the new tax would have a large impact. There was a primary concern that Utah’s laws taxed dividends, unlike other states. Also, Utah’s earnings from the tax were projected to equal 10% of the gross revenue for the state, whereas in other states it was equal to 4%. Finally, there was some controversy surrounding the timing of the passage of the bill (13). The legislative session was supposed to end on Thursday, March 12th, but the senators decided to “saunter” and resume on Friday morning. There was concern that this made the law unconstitutional, but assistant attorney general Byron Anderson and several other attorneys argued against that reasoning (14).

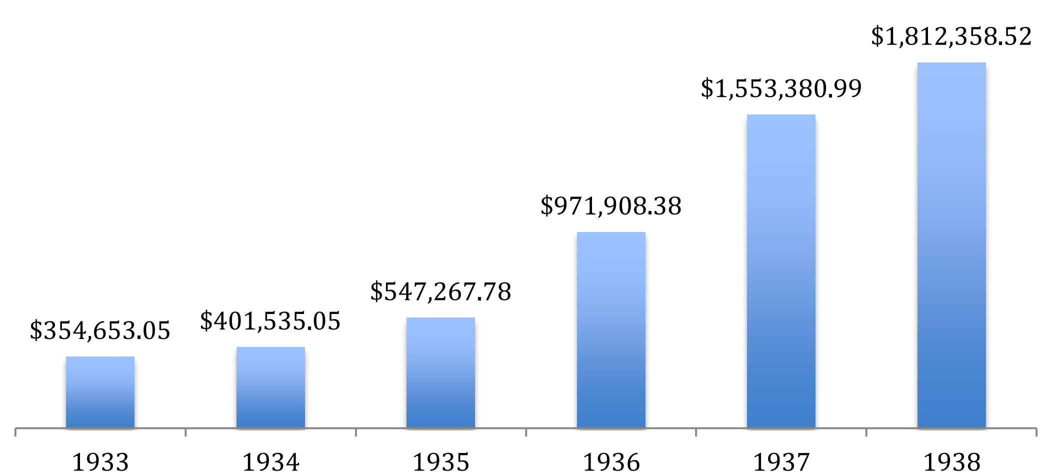
The income tax rates changed in 1935. The major changes in 1935 included a substantial increase in the rates with a decrease in the exemptions. As seen in Table 2, the tax was set at one percent for the first $1000, increasing one percent for every $1000 until five percent was paid for the remaining income over $5000. The exemptions were reduced to $600 for an unmarried man, $1200 for a married couple, and $300 for a child/dependent. In these revisions, 5% of the revenues generated from the tax went to a reserve fund for payment of refunds, and the balance was periodically distributed with 75% going to state school districts and 25% to the state general fund. The refunds were paid out of reserve funds, and if there was an excess of $25,000 in the reserve fund after the payment of refunds, 75% of the excess went to state school districts and 25% to the state general fund (4).

Table 2: Income Tax of 1935

Income	Tax Rate 1935
First $1000	1%
Additional $1000	2%
Additional $1000	3%
Additional $1000	4%
Excess $5000	5%

When comparing Tables 1 and 2 it is important to acknowledge the significance in the changes of the income tax. For example, in 1931 if a resident made $6,000 in income, their income taxes would equal $97.50. But with the changes in 1935, that increased over 100% to a tax liability of $200.00. These changes in the income tax created a significant impact on both the residents of Utah and the state's revenue. As displayed in the graph below, this increase in the state income tax helped Utah increase their income tax revenue five-fold.

Figure 1: Utah Income Tax Revenue



The Emergency Revenue Act of 1933

The Utah legislature established a sales tax in the Emergency Revenue Act of 1933. The tax was imposed upon “the retail purchase of certain commodities, admissions, and services” within Utah. The tax was established for every retail sale made within the state of Utah, any service or commodity furnished for domestic or commercial consumption by any utility in the state of Utah, meals, and admission for entertainment, all with a going rate of three-quarters of one percent. Malt products were taxed at five percent, but the tax did not apply to cigarettes, alcohol, and motor fuel, which had their own separate taxes. The revenue generated by this tax was meant to help Utah residents in destitute and necessitous circumstances. Some of the revenue from the tax went to the state tax commission for regulation and enforcement of the tax. Excess revenue generated was deposited into the state general fund, and Governor Blood was given the power to use the fund “for the guarantee or payment of interest on construction projects when and if his judgment of such construction will contribute to the relief of unemployment and assist in the rehabilitation of the people of the state” (2).

The first version of the Emergency Revenue Act lasted only a short term, as the special session in August of 1933 made revisions to the tax. The major changes included replacing the three-quarters of one percent rate with a two percent rate and doubling the rate on malt products (from five to ten percent). The appropriations of the revenue also changed, now that the annual revenue was expected to increase. Two million dollars was annually appropriated for the direct relief of the needy and destitute and to carry out and administer the provisions of Senate Bills 10 and 11. If revenues were generated beyond two million dollars, the excess would go to the state school districts and be transferred to the state school district fund (3).

The passage of the Emergency Revenue Act marked an important point for Utah in terms of its sales tax and public welfare. The passage of this tax virtually assured that would receive millions from the federal government for public works. Thirty percent of the grants that Utah received were given immediately, while the remaining seventy percent were given to Utah on a long-term basis. The sales tax also helped to pay the interest on loans from the federal government (15).

The revisions of the sales tax met some controversy. The state house had a vigorous debate regarding the increase of the rate to two percent, with the strongest opposition coming from some of the Democratic representatives. However, the bill passed with an eighty percent majority yes vote in the senate. The bill was originally set to expire on April 1, 1935 or even earlier if Governor Blood deemed that it was no longer necessary. However, the tax was never removed, as mentions and appropriations for the Emergency Revenue Act appeared in the 1935, 1937, and 1939 legislative sessions. The tax continued to account for a two million dollar annual allotment to Governor Blood, creating the assumption that the tax rate was not increased in the later years of the

Depression. However, appropriations changed, as in the 23rd legislative session they made direct references to Chapters 88, 89, and 90 of the 1937 legislative session, which discusses the Utah public works department and several of its programs, including programs for old age.

V. Additional Sources of Revenue for Utah

In addition to the major taxes passed in the 1930s, Utah enacted a series of other taxes in order to increase revenue. The first in this set was the Franchise Tax Act of 1931, which established a tax on all banks and corporations that had operations within the state. National banks were subject to a tax rate of three percent of net income, while state banks and all other corporations were subject to the same three percent with an additional minimum of ten dollars. The organizations exempted from this tax included labor, agricultural, and horticultural organizations as well as fraternal beneficiary societies, orders or associations (1). This law was then amended in 1935 with the change that the tax could be paid in installments (4). In addition, a tax on motor fuels was implemented in 1931. It was a four-cent per gallon tax on all motor fuel sold and used within the state. A half-cent for each of the four cents collected would go to the road construction fund (1). This motor fuel tax rate remained the same throughout the 1930s, with the exception of some changes in exemptions.

Another tax implemented was a special tax for the maintenance and reconstruction of public highways in 1933. This tax collected two-thirds of one cent per ton-mile of freight of any kind on hard surfaced roads (hard surfaced roads defined as "highways surfaced with a compound of sound and gravel, or broken rock, united by means of hydraulic cement, coal tar, asphalt"), while travel on other roads was taxed at one-fourth of one cent per ton-mile. For vehicles with passengers it was two and a half mills per passenger-mile on hard surfaced roads and one mill on other roads (2). In the special session of 1933, a cigarette and oleomargarine tax was enacted. If the weight of the cigarette or oleomargarine was 3 pounds or less per one thousand, a one mill tax for each cigarette was taken; if it was more than 3 pounds, it was a two mill tax. For cigarette papers and wrappers, there was a half-cent tax for each set of 50 papers or fractional part thereof; for tubes it was one cent for each 50 papers. The tax for oleomargarine was five cents per pound, and ten cents for artificially colored oleomargarine (3).

There was an inheritance tax implemented in 1935, which taxed the market value of the estate. It was a three percent for values between $10,000 and $25,000, five percent for values between $25,000 and $75,000, eight percent for values between $75,000 and $125,000, and a ten percent tax for anything about $125,000. Any sum in excess of $150,000 collected by this tax was placed in the Old Age Pension Fund at the discretion of the governor (4).

In 1937, an occupational tax was implemented. The tax was one percent of the gross amount of raw material received or the gross value of the ore containing gold, silver, copper, lead, iron, zinc, or any other valuable metal. There was also a two percent tax on the sale price for storage, use or other consumption of tangible property in Utah. In

1939, taxation on insurance companies was implemented, where the state received two and a quarter percent of all premiums received by insurance companies (5).

The federal government repealed prohibition on December 5th, 1933. Earlier that year, the Utah state legislature enacted major legislation regarding the sale and consumption of alcohol. Initially in 1933, the state legislature established a wine tax of one-dollar per 31 ½ gallons of beverage shipped under permit. The funds generated from manufacturing (and subsequently, shipping) alcohol would go to the relief of unemployed residents of the state (2). In the special session in 1933, the tax increased to $1.20 per 31 gallon barrels. In addition, brewers, wholesalers, and retailers would have to pay an annual license fee of $300, $100, and $25 respectively (3). In 1935, the legislature passed the Liquor Control Act, establishing a commission for regulating liquor. It also established that license fees would go to municipalities. The license fees would then vary for brewers based on their capacity of number of barrels produced. For 5,000 barrels or less the fee was $250; brewers with 5,000-25,000 barrels had a $500 fee, 25,000-50,000 barrels had a $750 fee, 50,000-75,000 had a $1000 fee, and brewers with capacity over 75,000 barrels had a $1250 fee. The tax rates on the barrels changed. Now, there was an eighty-cent tax on light beer per 31 gallon barrels, and $1.60 on heavy beer (4). This would stay the same in the 1937 legislation of the Liquor Control Act, which added the licensing fees for wineries and distilleries at an initial $1000 fee and upward of $250 annually for inspection (5).

As we see, the Utah State Legislatures throughout this decade were busy establishing new taxes and programs to aid Utah throughout the Great Depression. The general compliance to the New Deal brought forth by Governor Blood helped Utah develop during the Great Depression.

VI. Data Categorization and Descriptive Statistics

To enhance the narrative discussion, I examined the revenue and expenditures of Utah. I obtained the federal data for the years 1931 and 1937 through 1941 from the federal statistics of the states (20) and state data for years 1932 through 1938 (17, 18, 19). While the data from the federal government had been categorized, the state data needed to be categorized using the same categories as the federal data. This was needed as we put the data into a panel data set containing data from additional states and require the consistent categories. Table 3 provides the list of federal categories used for revenue and expenses.

Table 3: Federal Categories for Revenue and Expenses

Federal Categories for Reporting Revenue	Federal Categories for Reporting Expenses
Property Taxes	General Administrative, Legislative, and Judicial
Income Taxes	Protection to Person and Property
Inheritance and Estate Tax	Highways
Poll Tax	Development and Conservation of Natural Resources
Severance Tax	Health and Sanitation
Sales Tax	Hospitals and Institutions for the Handicapped
Business License Tax	Charities
Nonbusiness License Taxes and Permits	Correction
Unemployment Compensation	Schools
Incorporation Tax	Libraries

All Other Taxes	Recreation
Special Assessments and Special Charges	Miscellaneous
Grants	Contributions to Public-Service Enterprises
Pension Assessments	
Rent of Investment Properties	
Interest	
Contributions from Public-Service Enterprises	
Charges for Current Services	

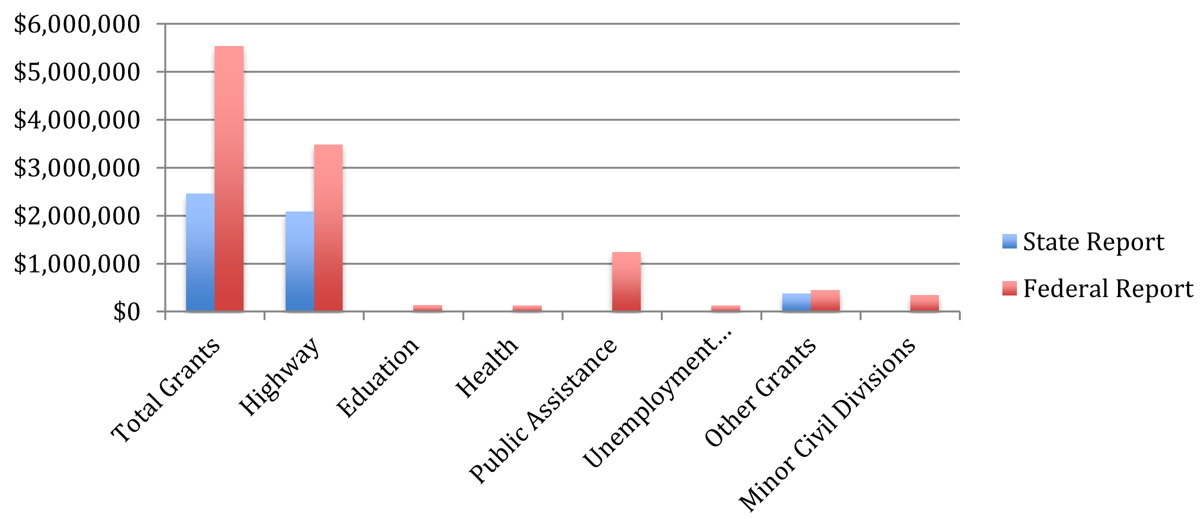
Source: Fishback, Gutberlet, State Finances Database 1930-1940

Each of these categories also has subcategories to help further describe the data. Utah's expenditures were fairly easy to categorize and I encountered only a few issues. For example, one of Utah's categories was "State Land Selection Fund". The fund could be considered "Development and Conservation of Natural Resources" or it could be money that was used for the purchase of property, which is not considered a government expenditure. However, this particular category did not have a major dollar amount, so I decided to include it in the category.

On the other hand, revenues were more difficult to categorize. For example, multiple categories were named "funds" such as the "Motor Vehicle Registration Fund" and the "Vehicle Control Fund." All of these could fit into particular categories, or could most likely be money already in state accounts, and the state was just moving it around. In addition, the Utah's categories sometimes lacked more detailed descriptions, making it difficult to categorize the money. For example, one category was simple labeled "University of Utah Building". Either this is "Charges for Current Services" or "Rent of Investment Properties". For that particular category I chose to include it as charges for current services. Multiple scenarios similar to this situation occurred during the revenue categorization process.

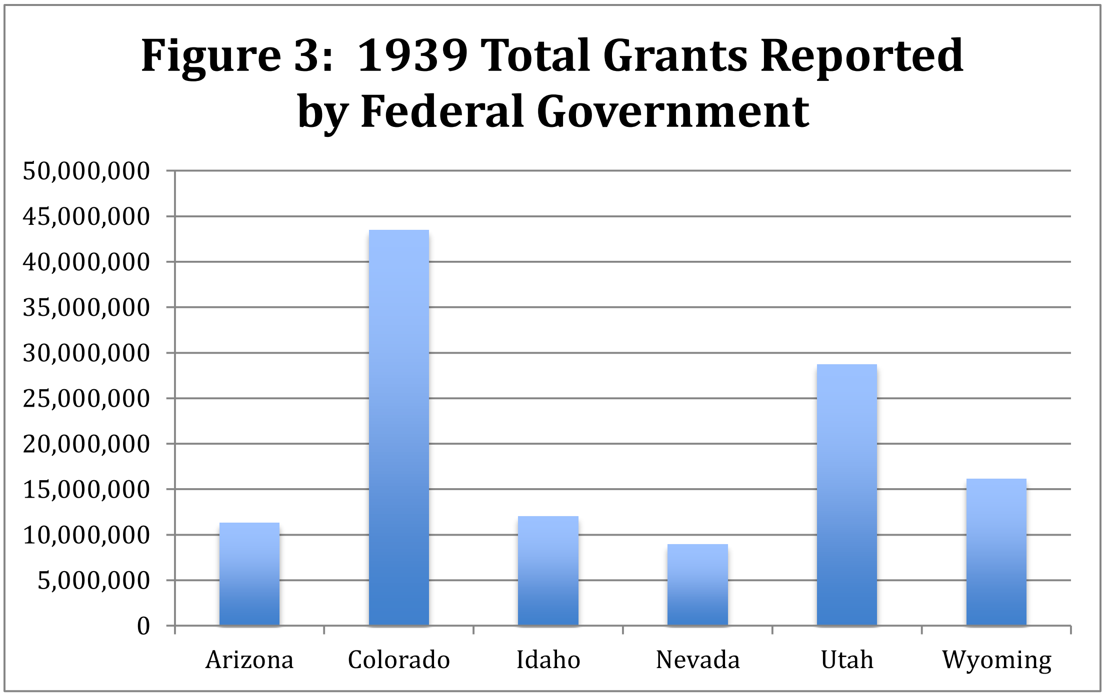
Comparisons of the data on federal grants reported by the state of Utah and the federal government showed large discrepancies. Figure 2 shows the difference between the reports for the year 1937. The federal government reported that Utah received $5,537,296 in total grant revenue while Utah reports a total of $2,459,386, leaving a $3,077,910 discrepancy. This example is one of many similar cases where federal reporting was higher than the state's report.

Figure 2: Grant Reporting Discrepancies between Utah and Federal Government in 1937

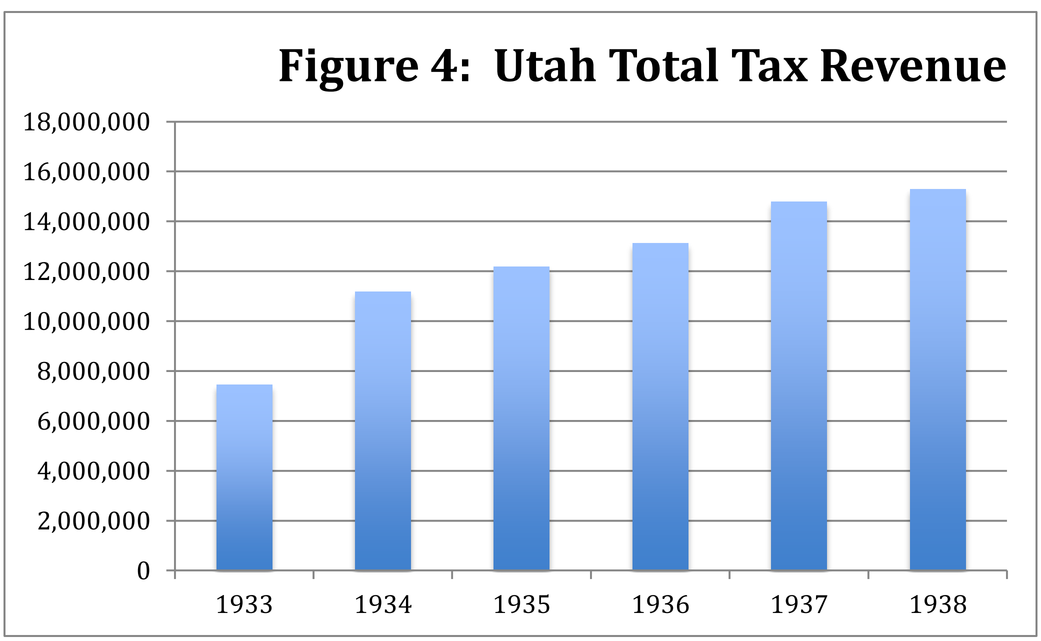


Source: Fishback, Gutberlet, State Finances Database 1930-1940

I then looked at total grant revenue from Utah and its neighboring states: Arizona, Colorado, Idaho, Nevada, and Wyoming. I chose to look at the neighboring states to see where the grants were dispersed throughout the western United States. While populations and other demographics for each state are different, I chose to look at these states because of their similarity in the region compared to other states in the US. In Figure 3 Colorado received the highest amount of grants, totaling over $43 million, while Nevada received just under $9 million. Utah would receive the second highest amount in grants compared to neighboring states.

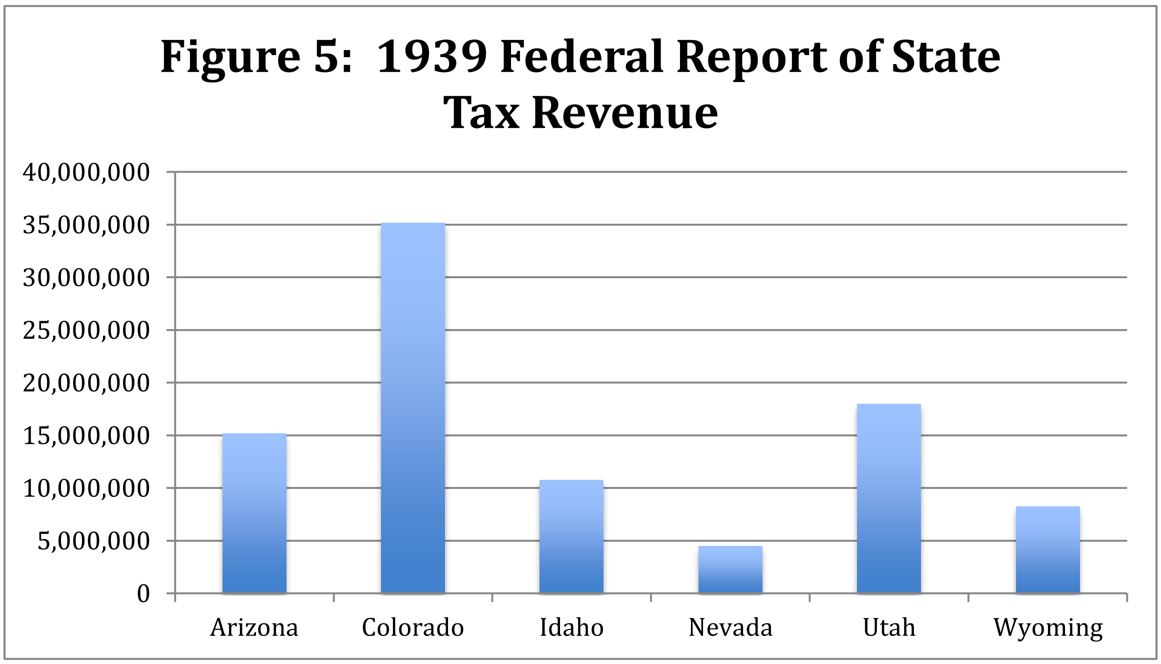


Source: Fishback, Gutberlet, State Finances Database 1930-1940



Source: Fishback, Gutberlet, State Finances Database 1930-1940

Utah's total tax revenue in Figure 4 increased between 1931 and 1938. The biggest spike occurred between 1933 and 1934, which was aided by The Emergency Revenue Act of 1933. That combined with other changes in tax law helped increase the total tax revenue year over year. When Utah's total tax revenue is compared to revenue in neighboring states in Figure 5, Colorado led the way with total tax revenue over $35 million, Utah was second with nearly $18 million, and Nevada the lowest with almost $4.5 million.



Source: State of Utah

Motor vehicle taxes and fuel taxes were often significant sources of revenue for many states. Figures 6 and 7 show that the motor vehicle tax revenue varied year over year, while the fuel tax revenue generally increased over the same period. So, while the number of cars used in Utah or owned by Utah residents varied, the state increased its fuel usage over the period.

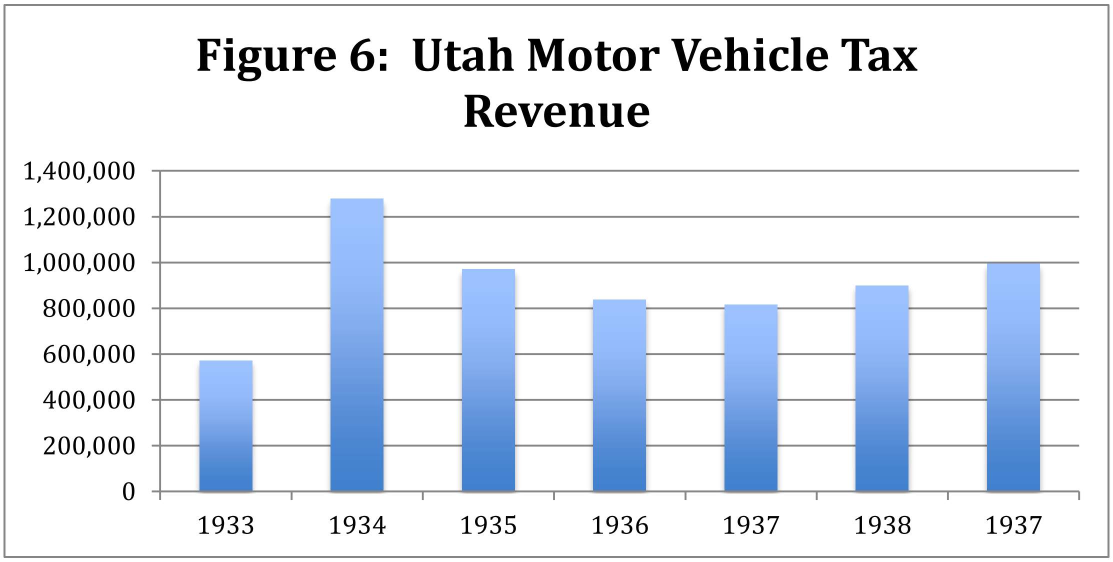


Figure 6: Utah Motor Vehicle Tax Revenue

Source: State of Utah

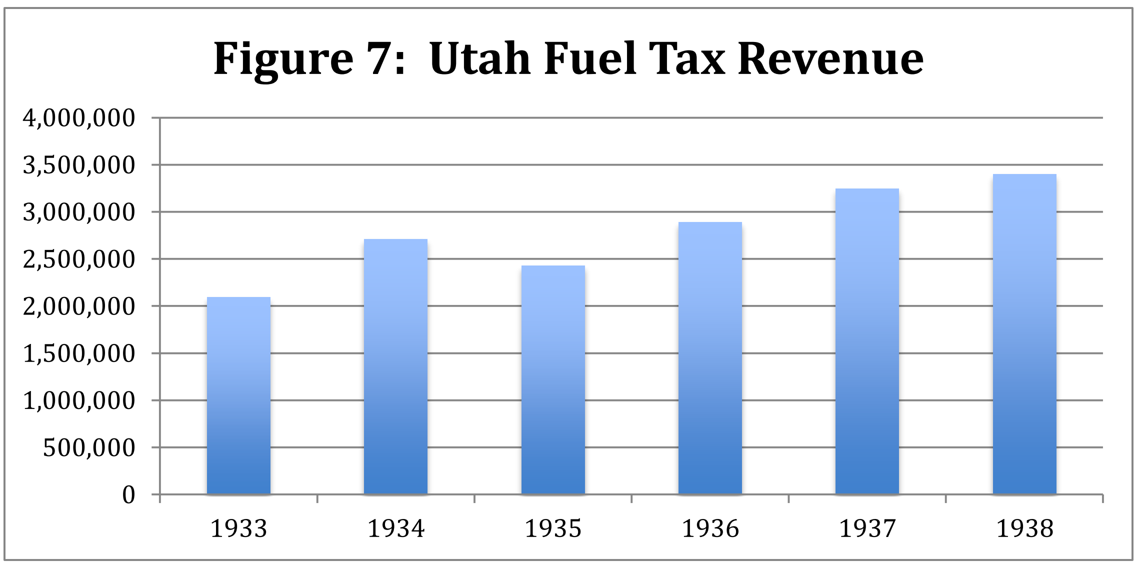
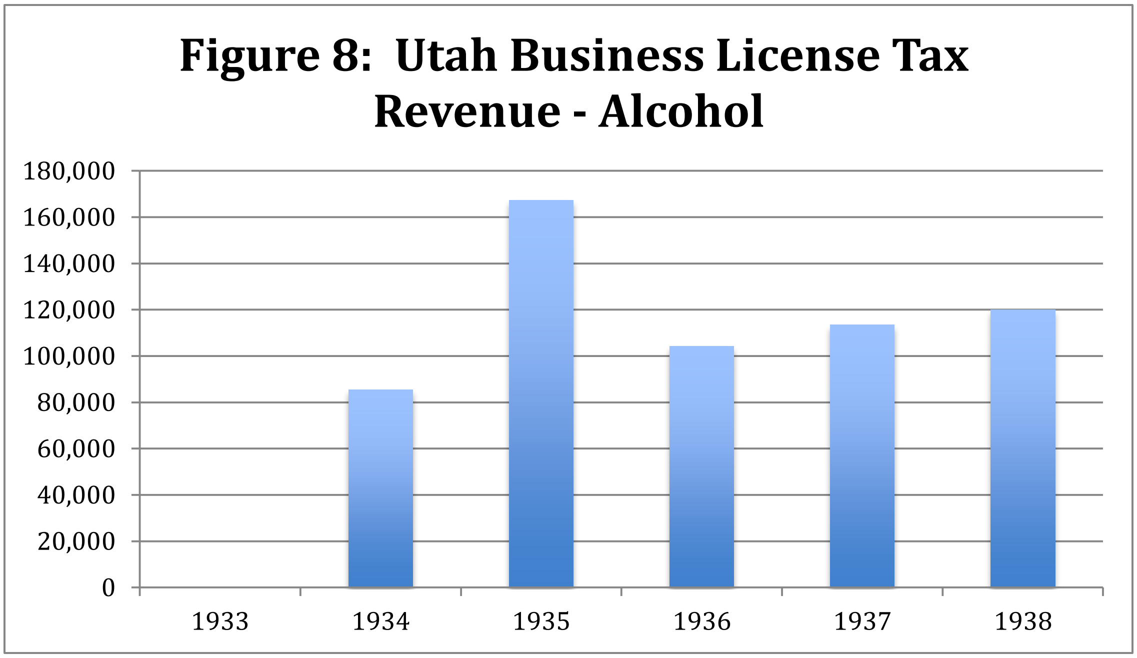


Figure 7: Utah Fuel Tax Revenue

Source: State of Utah

Finally, because prohibition ended in 1933, I decided to look at the business license tax revenue for alcohol over the years. This would provide more revenue for Utah in the form of businesses wanting to sell alcohol and the sales tax revenue from these that want to consume alcohol. In Figure 8 you can see that the spike of tax revenue came in 1935, totaling almost $170,000 that year.



Source: State of Utah

VII. Regression Analysis

Since all states were making major changes in revenues and expenditures during the 1930s, I am able to use the variation in the experiences of the states to perform a statistical analysis of the impact of several major factors on these changes. There were several that I believed might have economically and statistically significant effects throughout the 1930s. The variables I chose to include are federal public works spending per capita in 1967 dollars, automobile registrations per capita, percent of the population that is urban, percent of population that is illiterate, and whether democrats had control of the governor's seat and a majority in both houses of the state government.

Increases in federal public works spending in 1967 dollars per capita are expected to be associated with an increase in state revenue. The more programs being implemented were designed to further help citizens of the state and could result in an increase in revenue for the state, either through taxes from the population, or more grant money that helped fund the public works programs.

An increase in per capita automobile registrations would likely lead to an increase in state revenue through a rise in revenue from registration taxes and licenses and more revenue from fuel taxes. A higher urban percentage of population should result in more revenue for the state, possibly through higher sales tax. More people in a city environment could cause them to shop more at stores and possibly have a higher income through a higher paying job than those that lived in rural areas. As the illiterate percentage of the population increases, there could be a decrease in state revenue. This would result because the state would have to fund programs for the illiterate and they would hold lower paying jobs, reducing the potential tax revenue the state could earn. Finally, the last variable is a measure of Democratic domination of the state government that takes a value of one when the democrats held control over the governor's seat and the majority of both houses. With democrats having full control of the local government, there could be an increase in the state revenue. The Democratic Party primarily focused on spending money to implement social programs and initiatives, and the state constitution required a balanced budget. So an increase in spending would require an increase in revenue to help fund the programs.

Table 4: Regression Analysis of Selected Variables

Variable	Coefficient (t-value)	Coefficient (t-value)	Coefficient (t-value)	Mean	Number of Observations
real per capita income	0.0269094 (2.66)	0.0313333 (1.86)	-0.0281343 (-0.47)	1058.524	150
Per capita federal public works spending	-	1.268009 (4.44)	0.191792 (0.35)	21.073	150
Auto registrations per capita	-	33.77386 (0.27)	14.03746 (2.56)	18.883	150
Percent of population that is urban	-	-0.3319959 (-0.92)	3.447275 (1.5)	46.716	150
Percent of population that is illiterate	-	-2.561706 (-1.73)	13.16987 (1.46)	4.824	150
Democratic control of state government	-	0.8389177 (0.12)	2.119847 (0.27)	0.465	150
fixed effects	no	no	yes	-	-

Before including the other variables in the regression, I ran a simple regression of per capita real tax revenues on per capita state income. This variable serves as a basic measure for wealth within the state, and I predict that an increase of per capita income, would lead to an increase of state revenue. As seen in Table 4, the positive coefficient of 0.027 suggests that a $1 increase in per capita income would lead to a roughly $.03 increase in state revenue. With a t-value of 2.66, the coefficient is statistically significant, bringing confidence that the coefficient is accurate. However, this coefficient changes as we add in the five additional variables as well as fixed effects.

Again looking at Table 4, we can analyze the regression results by adding in the other control variables. The real per capita income coefficient increases, but has a lower t-value. For federal public works spending, the coefficient is 1.27 with a t-value of 4.44. So, with a $1 increase in public works spending, the state would see a revenue increase of

$1.27. Thus, it appears that spending on federal public works was related to the state collecting substantial additional.

The regression shows that every additional automobile registration per capita increased state revenue by $33.77. While economically significant, because of the low t-value, the coefficient is not statistically significant. Then, with a 1% increase in urban population, there was a $.33 decrease in state revenue. This coefficient is both economically and statistically insignificant, however. A 1% increase in the percent of illiterate population is associated with a $2.56 decrease in state revenue. While economically significant, the coefficient is not statistically significant. Finally taking a look at whether or not democrats had control of the state government, we can see that if they did there would be a $.84 increase in state revenue, but with a low t-value this is not statistically significant.

Finally, I ran a regression using all the variables and added in fixed effects for the states. Some significant changes include the now negative coefficient for state revenue on individual income per capita. However, with a low t-value, this coefficient is neither economically nor statistically significant. The largest coefficient change happened with per capita automobile registrations. With an increase in automobile registrations, there was a $14.04 increase in state revenue after factoring in fixed effects. With a t-value of 2.56, there is both economic and statistical significance to this coefficient.

VIII. Conclusion

Throughout the 1930's, Utah faced the challenge of raising revenue for the state. As a result, Utah would implement a series of new taxes for the state, including income tax and sales taxes. This would help alleviate some of the burden the state had in raising revenue. Also, Utah would enact several laws in order to comply with the federal government in order to obtain federal aid. Utah would, however, have to change laws throughout the time period to comply with changing federal laws. Utah did not have any major scandals or clashes with the federal government during the 1930s, unlike other states.

In regards to unemployment compensation, Utah took a proactive approach, trying to develop a system before the federal government had established on. The members of the 1936 Legislative session of Utah saw a real need facing their constituents, realizing that economic insecurity due to unemployment was a serious menace to the health, welfare and morals of Utah citizens. The session decided to take action, and then when the federal government decided to adopt a national unemployment compensation system, Utah had to take corrective action to make sure they now complied with the new Social Security Act.

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