OREGON:

ANALYSIS OF OREGON’S RESPONSE TO THE GREAT DEPRESSION

BY

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Abstract

The following paper details some of the most important reactions the State of Oregon had to the Great Depression during the 1930s.The majority of the work available today on the Great Depression deals with what the federal government did to help the states, but seldom is there information on what the states did themselves. Professor Price Fishback, of the University of Arizona, has provided his honors students with an opportunity to work on a project that has never been done before. With the data we now have, we are able to talk about what the states did during the Great Depression and back it up with hard evidence. By looking through state statutes and newspapers from the 1930s, I was able to construct a narrative describing Oregon during that time. A regression analysis is also included to find the effects of five variables on state tax revenue per capita and I was able to compare these variables with Oregon's surrounding states to see how they all fared in comparison. The thesis paper provides us with greater insight to the State of Oregon during the Great Depression as well as a better understanding to the data that we currently have.

Introduction

During the Great Depression of the 1930s, leaders had to find ways to fund their efforts towards relief and to match New Deal Funds. Oregon was no exception. The purpose of this paper is describe some of the key reactions that the state of Oregon made when faced with the Great Depression during the 1930s as well as to provide a narrative into what the state of Oregon was like during this difficult time. Specifically, the paper includes five chapters that give insight of the leaders of Oregon, it's political atmosphere, some of the most important taxes that were passed, and the attitudes of the Oregon leaders and citizens towards these changes. The narrative is constructed by looking at state statutes from the 1930s to the 1940s to find important laws and bills that were passed as well scouring newspapers in order to get a better understanding of what the state looked like as these laws and bills were passed or struck down. Revenue and expenditure statistics were also looked at to give stronger evidence of the success or downfall of the Oregon programs. In addition, the paper also provides a regression analysis that examines the effects of specific variables on state revenue and expenditure.

Governors of Oregon during the Great Depression

The Great Depression brought some political change in Oregon during the 1930s, however the Republicans continued to hold most major offices. The Oregon Democratic party did not rise as much as one would anticipate as a result of the New Deal, and this was due particularly because the Republicans were able to quickly accommodate themselves to President Roosevelt's Program. There are many instances where the Republicans actually supported some of the New Deal reforms, unlike their Democratic opponents. For example, Charles Sprague, the Republican who succeeded Democrat Governor Charles Martin, endorsed the New Deal's public power program and proved far more friendly to President Roosevelt than Martin who will be discussed later in the paper (Braeman, 1975, p. 370). Oregon had three governors from 1929 to the 1940s, a Republican, an Independent, and a Democrat. The first was Governor Albin Walter Norblad who took office from 1929 to 1931.

Governor Albin Walter Norblad 1929-1931

Governor Albin Walter Norblad prior to being governor, was President of the State Senate during 1929. He succeeded to the governorship on December 22 following the death of Isaac L. Patterson. He was a Republican and a progressive leader who wanted to see improvements within the State that included finding a way to stem the escalating unemployment and the State's continuing economic downturn (Capace, 1999, p. 113). In the 1930 election for governor, Norblad came in second in the primary. With the beginning of the Great Depression, he was unable to rally enough support and lost to George W. Joseph. However, within a month of winning the nomination, George W. Joseph died of a sudden heart attack. Although Norblad was next in line for the governorship, he declined further consideration. He wanted to address deteriorating economic conditions head on and so, rather than be governor, he established the state's first labor commission and put himself at the head. The organization would go on to disburse $2,000,000 for the construction of State highways and produced jobs for nearly 5,000 people. (National Governors Association) Norblad stepped down from office on January 12, 1931.

Governor Julius L. Meier 1931-1935

Oregon's next governor came as a coincidence. Meier was George W. Joseph's former law partner and close friend and ended up running in Joseph's place. He graduated from the University of Oregon law school, but after practicing law for four years, he joined his family's business Meier & Frank Department Store, serving as general manager from 1910 to 1930 and eventually becoming president. During World War I, he was the regional director of the Council of National Defense and headed the Oregon Commission of the Pan-Pacific International Exposition in San Francisco. He had little to no political experience and approached the governorship with more of a business perspective. Meir held the belief that the government had to be run by business men on business principles (Capace, 1999, p. 114).

When he came into office in 1931, there was a budget deficit of $2,500,000. He cut the deficit by 50 percent in 1931 and 1933 through sharp reductions in the appropriations for higher education, funds for soldier's bonuses, and salaries of state employees. At the time Oregon legislators were also very economy focused and actually cut more of the budget than Meier had even recommended. Henry M. Hanzen, who was Meir's budget director at the time, stated that the legislative session 1933 was the worst in state history in terms of cuts made to the funds mentioned above (Braeman, 1975, p. 357). At the time when he ran, the Republican Central Committee put their support behind Phil Metschan, the state party chairman and a conservative. Upset by the party's abandonment of Joseph's principles, Meier ran as an Independent and is the only one to do so in Oregon history as well as being the only Jewish governor in the state's history. Major newspapers in the state, including the Portland Oregonian and the Salem Oregon Statesman, opposed his candidacy. (Mahoney) A major issue at the time of the election was the development of hydroelectric power along the Columbia River, with the debate centering on whether it should be privately developed or State-Run. Along with his late friend, he agreed with the latter and would go on to win with more votes than both his opponents combined (Capace, 1999, p. 114).

Becoming Governor during the brunt of the Great Depression, Meier made his mark as governor. He is recognized for the establishment of the Oregon State Police, the Liquor Control Commission and the State Board of Agriculture. He also promoted many relief programs in attempts to ease the effects of unemployment and fought numerous times with the state legislature to pass a state sales tax to raise revenue which will be discussed in further detail later in the paper. While in office, he declined offers to run for a seat in the United States Senate and towards the end of his term in 1934, had amassed much support to run for a second term with both political parties requesting he run in their gubernatorial primaries. He would end up declining due to health issues and left office on January 14, 1935.

Governor Charles Henry Martin 1935-1939

The sixteenth governor of Oregon served two terms as a Democratic Oregon Congressmen from 1931 to 1935. Former military, Martin had risen to the rank of Major General in the U.S. Army. In 1934, he ran for the Oregon governorship on the Democratic ticket, and defeated Republican candidate Joe E. Dunn and the independent challenger Peter Zimmerman. Although listed as a Democrat, he was well known for his opposition to many of the New Deal programs. “My most virile enemies in the legislature are Democrats and most ardent supporters are Republicans,” complained the governor (Braeman, 1975, p. 363). He was nicknamed “Old Ironpants” with critics describing him as a reactionary whose love of rigid military discipline and unquestioned obedience led him to administer state government like a “Neanderthal man, swinging a club at any who dared to disagree with him” (Braeman, 1975, p. 363). Governor Martin went as far as supporting a plan to chloroform wards of the state by “putting 900 of the 969 inmates at the Fairview Home in Salem ‘out of their misery” to balance the state budget. “I am a Democrat,” he said, “but not a New Dealer” (Murell, 2016, p. 1). He held a very conservative stance on public power, relief and welfare, and labor relations that provoked controversy. Martin believed Social Security was rapidly “driving [the] country into national socialism.” In regards to federal relief he believed funds for the WPA should not have been allocated because “democratic nations have lost their moral force through pampering their people” (Braeman, 1975, p. 364) Given his opposition to the New Deal, he created a rift in the Oregon Democratic party. He was consistently against bills designed to provide relief to the unemployed and argued that people unable to work excluding physical or mental impairments needed no more than $10 per month to take care of themselves, saying “the need for the necessities of life will force able-bodied people who are unemployed to get some kind of work and care for themselves” (Braeman, 1975, p. 365). He was elected in 1934 because there was a great deal of labor turmoil and Martin had a reputation for putting state finances back on a sound basis. However, even when the Depression eased, he opposed full restoration of wage levels for state employees who suffered pay cuts during the Depression (Capace, 1999, p. 114). Because he attacked many of the labor policies of the New Deal, he was heavily criticized by labor and farm organizations as his opposition led to decreased aid from the federal government. It is believed that his criticism and animosity towards some of the New Deal

Programs cost the Democratic Party the general election as he would go on to be defeated for re-nomination in 1938. Oregon would follow the national trend in 1938 of putting most Republicans back in Office. Oregon would not have another Democratic governor until 1956 (Murrell, 2016, p. 1).

The Great Depression did little in allowing the Democrats to becoming the dominant party but there was some change. Democratic registration, never higher than 30 percent of the state's voters between 1900 and 1930, climbed to 48 percent in 1938. (Braeman, 1975, p. 371)

Liquor in Oregon

Oregon dealt with liquor control even prior to it becoming a state in 1859. In 1844, the Oregon territory at the time passed the first prohibition law in the United States. It was repealed in 1845. Oregon was rated as one of the bone-dry states and, prior to the election of 1930, it was believed that any candidate making prohibition a major plank of his platform would be committing political suicide. ("Oregon is Doubting Wisdom of Dry Law" *The New York Times*. Aug 30, 1931) However, Charles H. Martin, Congressman (1931-1935) who later became Governor (1935 to 1939), was an advocate for the repeal of the 18th amendment and was elected to Congress by a substantial majority, although he ran on the Democratic ticket in a district normally 3-1 Republican. Politicians at the time were labeled wet or dry in correspondence to their stance on Prohibition and surprisingly, at the time, the candidates in favor of repealing Prohibition were winning elections. Prior to General Martin, no candidate seeking office dared raised their voice against prohibition which indicates the change in public attitude towards prohibition ("Oregon Primaries Show Wet Trend" *The New York Times*. Jun 19, 1932).

Oregon was actually North America's top hops producer in the early 1900s. In 1915 Oregonians voted to ban all liquor sales preceding adoption of national prohibition by four years. (Oregon Liquor Control Commission Administrative Overview August 2000 p1) In 1923, the Legislative Assembly established the Prohibition Commission to enforce the state liquor laws. When Governor Meir created the Oregon State Police Department in 1931, the Legislative Assembly abolished the Prohibition Commissioned and transferred all powers of enforcement to the State Police. Prior to Meir, law enforcement in Oregon was extremely fragmented. There was an agency responsible for fish laws, another for game laws, and separate groups enforced forestry, prohibition, and criminal and arson laws. (Oregon Department of State Police Administrative Overview May 2011 p. 1) In 1931, Meir was able to push Senate Bill 170 through the Legislative Assembly. Deemed the "State Police Bill", it proposed unified statewide law enforcement in all areas. The bill called for the dissolution of the State Traffic Department in the Secretary State, the Liquor Enforcement Division, and the enforcement sections of the State Game Commission, State Fish Commission, and the Arson Squad of the State Fire Marshal's office. There was great deal of controversy concerning the "State Police Bill." Fierce opposition came from the National Safety Council, a nonprofit organization that promote health and safety founded in 1931 and the Oregon Federation of Labor. The Federation of Labor felt the bill would militarize law enforcement in the state and the Safety Council believed that consolidation would lead to massive confusion. (Oregon Department of State Police Administrative Overview May 2011 p2) The bill became law on August 1, 1931. State Police enforcement on liquor laws did not last long as it ended with the repeal of national prohibition, leading to the creation of the Oregon Liquor Control Commission. Those who supported prohibition believed that with it, society would have less crime, domestic abuse, neglect and accidents. In addition, people whose lives had revolved around saloons and drinking would be transformed into better spouses, parents, and workers, resulting in a stronger more productive nation. Industries and individuals standing to lose from prohibition said the economic hardship to farmers of crops such as wheat, potatoes, and hops would suffer as well as owners and employees of breweries, distilleries, saloons, and other related businesses ("Liquor control, Temperance, and the Call for Prohibition" Oregon State Archives).

In 1933, voters repealed Oregon's constitutional prohibition amendment, and shortly thereafter Oregon ratified the 21st amendment to the U.S. Constitution, repealing national prohibition. Four day after the repeal of prohibition Governor Meir created the Oregon Liquor Control Commission. This commission was tasked to research options on how to handle the liquor situation for the State of Oregon. Governor Meir entrusted Dr. Williams S. Knox to lead the committee. In what became known as the "Knox Report," Dr. Knox pushed for a liquor control system similar to Canada at the time.

Knox Liquor Control Plan

The plan called for the Oregon Liquor Control Commission to govern operation of State-owned dispensaries; prohibiting selling of beverages of more than 14 per cent alcoholic content in restaurants and raising revenue through the profit obtained from sale of liquor. Problems arose due to violations of home rule provisions in the State Constitution which granted cities the right to control liquor traffic prior to the enactment of the 18th amendment. Several municipalities, with Portland and Klamath Falls among the leaders, attacked the measure due to this violation. The matter had to be brought to the State Supreme Court (State Liquor Rule Disputed in Oregon, *New York Times*. Nov 19, 1933). The bill called for an appropriation of $450,000 which would be repaid to the general state fund from the first profits. Liquor revenue was expected to raise between $2,000,000 and $3,000,000 annually for unemployment relief. The Knox Bill proposed the establishment of 18 to 20 state stores and 80 agencies throughout Oregon. These would be the only places where alcohol could be sold. It called for stores in all cities with more than 5,000 people and agencies in every community in the state. The committee held that the proposed system of control would not only provide needed revenue for state and local services, but would keep alcohol abuse at a lower level.

The bill which was deemed the Oregon's Liquor Control Act or the Knox Bill, was passed in 1934. It gave the state exclusive rights to sell distilled spirits and fortified wine. It also authorized the Commission to license private businesses to sell beer and table wine by the bottle and the glass. Authority was also given to the state to collect taxes for operating a business that sells beer and wine. Within the year 22 stores operated and staffed by state employees and 117 sales agencies (private liquor stores) operating on a contractual basis were established. Part of the revenues from the sales was set aside for special unemployment relief fund on a temporary basis (Oregon Liquor Control Commission Administrative Overview Aug 2000 p. 1).

Table 1. Liquor Tax Revenues Including license fees, privilege tax, proceeds of sale of liquor by state stores revenue for distribution to cities and counties:

Year	Revenue
Oct 1, 1928 to Sept 30, 1929	0
Oct. 1, 1929 to Sept. 30, 1930	0
Oct 1, 1930 to Sept. 30, 1931	0
Oct 1, 1931 to Sept. 30 1932	0
Oct 1, 1932 to June 30 1934	862,922.33
July 1, 1934 to June 30, 1936	13,453,487.46
July 1, 1936 to June 30, 1938	17,086,306.86
July 1, 1938 to June 30 1940	19,609,127.50

The revenue numbers found in Table 1 are derived from the Oregon State Treasury Reports from 1928 to 1940. I combined the revenues from license fees, privilege tax, proceeds of sales of liquor by state stores and the revenue for distribution to cities and counties to give us a better idea of the income that was provided following the lift of prohibition.

The purpose of the Liquor Control Act is listed below:

(1) The Liquor Control Act shall be liberally construed so as:

(a) To prevent the recurrence of abuses associated with saloons or resorts for the consumption of alcoholic beverages.

(b) To eliminate the evils of unlicensed and unlawful manufacture, selling and disposing of such beverages and to promote temperance in the use and consumption of alcoholic beverages.

(c) To protect the safety, welfare, health, peace and morals of the people of the state.

(2) Consistent with subsection (1) of this section, it is the policy of this state to encourage the development of all Oregon industry.

Along with 18 other states, Oregon became a control state in which the government regulated the sale of alcohol within its borders. The OLCC consisted of three persons, all of whom were appointed by the governor and not more than two of them could be of the same political party, with one designated by the governor to be chairman of the Commission. The principle office of the Commission was established in Salem, Oregon. The Commission would also appoint an administrator who would serve as a liaison between the commission and all other officers, attorneys, clerks, stenographers, inspectors, auditors, chemists, expert and employees. The administrator acted as manager, secretary and custodian of the records of the commission. This Commission through the bill would have the power to regulate everything pertaining to liquor in the state.

Every quarter, which meant every March 31, June 31, September 30, and December 31, revenues were sent to the state treasurer. All necessary expenses of the commission, which included the salaries of their employees, any purchases they may have made, were paid for from the general fund. After the payment of the expenses, the rest of the money was to be disbursed by the Secretary of State as follows: 75% of the money would go to the treasurers of several counties of the state (with the exemption of those who still prohibit alcohol via the local option act) in proportion to the population of the respective counties, determined by the most recent census. All revenues received by the county treasurers was to be put in a special fund to be used only by the county courts or board of county commissioners for mother's aid, old age pensions, and direct relief of the indigent. The remaining 25% was to be returned to the general fund of the state.

In 1936, an enforcement division was added to the Commission's duties. The new division was split into two sections: license inspectors, who acted as a liaison between the Commission and its licensees; and the "hard liquor" squad, which dealt directly with violators of the Oregon Liquor Control Act (bootleggers). Prior to the formation of this new unit, enforcement was the function of the State Police and local law enforcement officials (Oregon Liquor Control Commission Administrative Overview August 2000). In 1939, a Wine Standards Act was adopted by the Legislative Assembly. This law gave the Commission the right to inspect and make chemical analyses of all wine sold in the state.

Evolution of the Oregon Relief Committee

The Depression started early in Oregon as between 1927 and 1929, Oregon had the highest rates of business failures in the country (Braeman, 1975, p. 355) Much of the early downturn was due to the decline of the timber industry, Oregon's primary employer. Lumber Mills were operating at half of their capacity by 1930 and demand continued to decrease. Using 1929 as a base year, employment in the lumber industry dropped from 100 percent to 40 percent to 1933. For all other industries the drop was from 100 percent in 1920 to 58.9 in 1933. Farmers were able to purchase only about 57 percent as many goods and services in 1932 as they did in 1929. Portland had more than 13,000 unemployed in 1930. Even with these concerning numbers, public opinion in Oregon seemed to be that the unemployment was not as bad as it was. In fact, when Governor Meier entered office and found the budget deficit was at $2.5 million, he insisted that the legislature slashed spending.[1]

The primary organization for handling the relief effort in the early 1930s was a citizens group called the Civil Emergency Committee of Portland.[2] A subcommittee of that group, the Public Relations Committee, assumed direct responsibility for administering work programs to the people of Oregon. They had a budget of $300,000 in 1930 and started a work program for the unemployed for 1,350 people at a salary of $24 a month, which was later reduced to $12 because there were so many people demanding work. When the money ran out, voters approved an additional $200,000 and when that was used up, another $200,000 was approved. This was a case of a county providing relief for the unemployment problem but it soon became too unmanageable. And this was only the case in Portland, in other counties they were not able to come up with such funding. This was mainly because funds were typically administered by county judge and, at the time, judges were not geared towards social services. Relief work was

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[1] The statistics listed here are from Braeman, John 1975

[2] Karyle Butcher, from Oregon State University wrote a thesis on Oregon titled "The Works Progress Administration in Oregon: An Administrative Overview." There is a section in the thesis that talks about how Oregon responded to issues of relief providing some specific examples. The majority of this section talks about some of those examples and numbers she was able to find.

poorly coordinated and never provided on a regular basis. In the fall of 1930, the state recognized that the increase in unemployment demanded state-wide action. Governor Norblad called for an Oregon economic conference to discuss the unemployment problem. Within two months of the conference, the governor appointed a volunteer group called the State Emergency Employment Commission. Originally composed of the governor, the chair of the highway commission and the labor commissioner, it was expanded under Governor Meier to include two additional members, one of them from the Oregon Federation of Labor. The commission's job was to speed up aid to the unemployed as well as encourage counties to establish emergency relief committees to help provide aid for the unemployed. Governor Meir would then call for a meeting of the county relief committees and, in 1932, created the Executive Committee of the State-Wide Relief Council, later known as the State Relief Committee.

At this time, the only other major source of state funding during this period was the State Highway Commission. Since the Highway Commission was able to issue bonds without seeking authorization outside of itself, it was in a unique position to help provide relief programs for the counties. Using highway funds, workers were hired to do clean-up work, brush-clearing, and other unskilled labor. Almost $3 million had been allocated for work on the state's highways by the end of 1931. However, in March 1932, in spite of the protest of relief administrators throughout the state, the Highway Commission discontinued its work relief program arguing that it was not a responsible use of public funds to hire inexperienced workers and that it was more efficient to contract out projects.

Governor Meier was adamant about his belief that the state of Oregon had enough resources to respond to emergencies resulting from the growing depression crisis. He mainly concentrated relief efforts on programs that he thought would result in a more efficient organization of those resources. He was willing to accept funding from the Highway Commission, but he focused mostly on the State Relief Committee. In 1932, the committee contacted county relief agencies and requested the following information: the number of unemployed; the amount spent on relief, and any other information that would provide a clearer understanding of county needs. Next, members of the State Relief Committee divided into smaller groups to visit selected counties.

A confidential report made by the committee to Governor Meier indicated that unemployment would continue to increase and reserves in clothing, food and money would soon be exhausted with no hope for improvement in the next year; rent, utility bills, and other payments would keep increasing and either would not be paid or be delinquent. The committee also concluded that counties would be unable to meet the demands for relief without outside help at the time the report was issued, the only means for providing work relief was the Highway Commission fund. The committee's primary concern at the time was the growing danger of malnutrition in both children and adults. One of the suggestions they made was to establish state food exchanges that would transfer food from areas of plenty to areas of need. To do this, they created a special food committee that would receive reports of food surpluses and deficits and act as a clearinghouse.

They also tried recommending some form of scrip to be adopted as payment to workers. The scrip would be printed under strict guidelines at the state printing plant and it would be redeemed, in exchange for work completed, in amounts of $.25, $.50, $1.00 and $5.00. This idea however, was rejected and instead they created a new plan to use scrip in food exchange. The plan would provide for a labor investment fund in each county. Businesses that were currently donating money to relief agencies would instead put that money towards the fund and receive scrips. They would then hire workers for a job and pay them in scrip and the worker would use the scrip to buy food.

Another major concern that the State Relief Committee had was the influx of unemployed laborers from other states. They did not want work to be taken away from the local unemployed and their solution was to establish small enclosures nicknamed "Hoovervilles." These were designed to accommodate transient laborers and they were allowed to remain in the camp for twenty-four hours before they were urged to move on. The committee also worked with the Employment Service of the United States Department of Labor to set up a temporary labor information bureau near the border between Oregon and California that would serve to tell unemployed laborers entering the state that there was no work to be had and to encourage them to return to their point of departure.

In the fall of 1932, the State Relief Committee warned Meier that it would cost the state $6,204,812 to meet the relief bills anticipated for 1933. Meier would go on to tell the public that the state could handle its own financial problems. He would nonetheless tell President Hoover that the state needed federal help and eventually requested funding from the Reconstruction Finance Corporation. The RFC granted eleven counties $270,532 in loans by December 31, 1932. In 1933, the state legislature enacted the State Unemployment Act, establishing the State Relief Committee, formalizing the already existing voluntary committee.

The committee would still consist of the same people who were members of the executive committee: Raymond Wilcox of Portland, chair; Paul Maris of Salem, secretary; Victor Moses representing the county courts; Kathleen Gabriel representing the women's organizations; Ray Gill from the Grange; Alex Barry representing the American Legion; Ben Osborne from the state federation of labor; and Elmer Goudy, later secretary and eventual administrator for the group. Their power came from their ability to dispense funds from the Reconstruction Finance Corporation, Federal Emergency Relief Administration, and State Emergency Relief Administration.

Counties would have to apply for relief and the committee would pass the applications on to the governor to accept. Oregon received a total of $2,798,290 from the Reconstruction Finance Corporation grants. The State Relief Committee also urged Governor Meir to take advantage of the Federal Emergency Relief Act. Meier tried to get a sales tax to help get the matching funds, but the measure would continually be defeated. The state's unwillingness to provide the required matching funds made it extremely difficult to acquire federal relief needs for the state. The State Relief Committee noted in its interim report that the "resources of the counties have been entirely inadequate... and the unemployed of the state have not received the full benefit of the federal program. This points to the necessity of the state's contributing its proper share of the cost of relief." In the second quarter of 1934 from April to June, Oregon local agencies had contributed 1.5 percent to relief; the state, less than one tenth of 1 percent; and the federal government 98.4 percent. Nationally, comparable figures were local agencies, 14.7 percent; states 11 percent; and the federal government, 74 percent.

When the WPA replaced the FERA in 1935, and once a sponsor and a project were selected, workers had to be identified who met eligibility standards. The identification of these workers was tasked to the State Relief Committee who would search the relief rolls for qualified workers who were currently unemployed and suggested for WPA employment. It also became increasingly difficult for the state to get federal help especially during the time Charles Martin was governor because he opposed many of the New Deal Programs. Despite being a Democrat, he believed that counties could take care of the unemployment and relief problems the state was facing. The State Relief Committee was renamed the State Public Welfare Commission in 1939; it was charged with coordinating federal, state and county direct relief, work relief and medical care, and distributing aid to needy persons in Oregon.

Relieving Property Owners with the "Big Three"

Relieving property owners became one of the biggest issues to solve with Governor Meir coming into office in the early 1930s, but a potential plan was put together by the Legislature in hopes to solve it. "For the first time in Oregon's legislative history a complete tax program has been laid out on the doorstep of the governor, by him to be allowed to become law," according to the *Maupin Times* (Feb. 14, 1929). "The excise tax was calculated to produce annual revenue ranging from $750,000 and $1,000,000, and the intangibles tax is expected to produce much more, while the personal income tax is expected to produce approximately $1,000,000 a year." The "Big Three" refers to the three taxes passed in the 1929 legislative session specifically to help offset the costs of the Property Tax. In this section, we will take a look at what the three taxes entailed as well as some of the major changes the tax would go through throughout the 1930s.

Personal Income Tax

The first tax was the personal income tax. When it was passed it was officially labeled as "The Property Tax Relief Act of 1929." The act was created for the purpose of providing for property tax relief by the levying, collecting, and paying of taxes on incomes. In Chapter 448, Section 3 of the 1929 Legislative Session, we are given the specific rates and the basic outline of the tax:

"Section 3. A tax is hereby imposed upon every individual, resident, or nonresident, with respect to the taxpayer's entire net income arising or accruing to him from every source whatever within the state of Oregon... at the following rates:

a. On the first $1,000 of taxable income, or any part thereof, 1 per cent.

b. On the second $1000 of taxable income, or any part thereof, 2 percent

c. On the third $1,000 of taxable income, or any part thereof, 3 per cent.

d. On the fourth $1000 of taxable income, or any part thereof, 4 percent

e. On all taxable income in excess of $4,000, 5 percent

The tax would also apply to estates and trusts."

(1929 Legislative Session Chapter 448, pp. 678-697).

Some major changes to occur with the personal income tax happened in 1933 and 1939. In 1933, the first rate and exemption changes were made to the personal income tax. The change was designed to offset depression revenue losses, and it increased the bottom rate from 1 per cent to 2 and the top rate from 5 percent to 7. In 1939, the top rate remained at 7 percent but it would apply on all taxable income in excess of $4,000 instead of $5,000.

Corporate Excise Tax

Prior to its passing, businessmen protested against the corporate excise tax, insisting to the governor that "the tax would tend to keep industries from coming to the state" (*Ione Independent* March 6, 1931) In response at a meeting of Portland business men, Governor Meir said: "We have here a state where 60 per cent of the area is owned by the federal government. Out of the remaining 40 percent we are attempting to maintain a government. The farmers of this state are at a point where if we do not come to their rescue we will face a tax burden twice as heavy as anything that could come out of these proposed laws" *(Ione Independent* March 6, 1931)He also said the tax program seemed the only thing that could prevent the state from being thrown into "a chaotic state, and a tax rebellion by real property owners" Many mass meetings were held throughout the state calling to the governor and assuring him that the only answers to the problem was either a drastic property tax reduction or the abandonment of the farms by inability to pay taxes (Ione Independent March 06, 1931).

In 1929, the legislature passed the "Corporate Excise Tax of 1929," which enacted a corporate excise tax on corporations doing business within the state of Oregon. Specifically, the tax was passed with the purpose to provide for an excise tax upon national banking associations, state banks, and financial, mercantile, manufacturing and business corporations for the privilege of carrying on or doing business in the state of Oregon. The tax rate was set at 5% upon the basis of net income for that year, with a few corporations being exempt. Corporations however, were entitled to an offset against the tax in the amount of personal property tax paid but the offset was not to exceed 90 percent of the said tax. In any event, each corporation was to pay annually to the state, for such privilege, a minimum tax of $25.

The excise tax was measured by net income in order to circumvent the federal prohibition against taxation of income from federal securities. The Corporate Excise Tax was initially intended to not only raise revenues to alleviate the State Property Tax but also to provide a means of imposing a state tax on national banks, which had been declared exempt from property taxes in 1925. The corporate apportionment formula was to be decided by tax commission regulations. Generally, the tax commission adopted a three factor formula based on the amount of property, payroll, and sales of the corporation in Oregon equally weighted. In the case of income acquired by a corporation within and without the state of Oregon, the determination of the net income shall be based upon the business done within the state and the commission shall adopt such recommendations and regulations as will fairly and accurately reflect the net income of the business done within the state.

Chapter 427, Section 23 of the 1929 Legislative Session, specifically talks about how the act would be used to reduce property tax. The section states:

"The net revenue arising under the operation of this act in excess of $5,000, which shall be retained by the commission as a working balance from which refunds shall be paid, shall be assigned to the state of Oregon and shall become a part of the general funds in the hands of the state treasurer. The proceeds from this tax, like that from other miscellaneous sources, shall be taken account of by the tax commission in making the annual levy for state purposes. It is the expressed intention of this act that the revenue derived from the tax shall reduce the corresponding amount the direct tax levy which the tax commission would otherwise apportion to the several counties of the state"

(1929 Legislative Session Chapter 427, pp. 617-633).

Some major changes to the Corporate Excise Tax were made in 1931, 1933, and 1939. In 1931, the tax rate increased to 8% and the corporate minimum tax was reduced from $25 to $10. In 1933, the personal property tax offset was reduced from 90% to 75% of the State Excise Tax liability. In 1939, a law change added segregated accounting or apportionment as reporting methods as defined by rules and regulations adopted by the Oregon State Tax Commission.

Intangibles Tax

The final tax of the "Big Three" was the Intangibles Tax. The act was to provide for the taxation of the income derived from money, bonds, notes, claims and demands, secured or unsecured, all shares of stock in corporations and any and all other evidences of indebtedness. The rate is listed in section 2 of Chapter 429 of the Legislative Session of 1929:

"Section 2. A tax is hereby imposed on every resident taxpayer, which shall be levied, collected and paid annually at the rate of 5 percent upon income from money and credits. Section 1 e. states the words "money and credits" means and includes money at interest, bonds, notes, claims and demands, secured or unsecured (not including open accounts), all shares of stock in corporations and any and all other evidences of indebtedness"

(Legislative Session of 1929 Chapter 429 pp. 635-641)

On Feb. 22, 1929 during a special session, a unanimous vote by the house passed the Intangibles Tax Bill. According to the *Oregonian* (Feb. 23, 1929), if enacted, the result will be that about $1,500,000 in revenues will be produced, in addition to the present income from taxation. With the passage of the excise tax measure which would produce a yearly revenue of approximately $1,000,000, the two bills would produce a total revenue of some $1,500,000 or $3,000,000 a biennium. This would supposedly make up the state deficit, without necessity of the enactment of any other revenue-producing measure. The intangibles tax bill will mean that many forms of wealth that has been escaping taxation will be forced to bear the share of the state tax burden. The rate of 5 per cent on income from intangibles will be equivalent to only a 3-mill tax. In most states where such a tax is in effect, the rate is higher, ranging from 4 to 5 mills. The exemption on income from intangibles is placed at $500. Not a single objection was raised on the floor. Representative Carkin, chairman of the commission stated "This legislation has been given earnest study by the property tax relief commission and we believe that the bill that has been drafted is a fair one. It will mean that owners of all types of securities and intangibles, except those that are tax-exempt, will be compelled to pay a reasonable share of the state taxes. It will mean that a vast amount of this type of wealth that has been escaping taxation will produce substantial revenue to the state" (*Oregonian* Feb. 23, 1929).

Below are tables recording the revenue produced from 1928-1940 from each of the three taxes (excise, intangibles, income) to give us a visual of the actual numbers that were produced from the three measures throughout the years.

Table 2. Excise Tax**:**

Year	Revenue
Oct 1, 1928 to Sept 30, 1929	0
Oct. 1, 1929 to Sept. 30, 1930	$574,690.26
Oct 1, 1930 to Sept. 30, 1931	$318,789.43
Oct 1, 1931 to Sept. 30 1932	$1,100,000.00
Oct 1, 1932 to June 30 1934	$2,252,500.00
July 1, 1934 to June 30, 1936	3,574,312.82
July 1, 1936 to June 30, 1938	Now officially combined
July 1, 1938 to June 30, 1940	Now officially combined

Table 3. Intangibles Tax**:**

Year	Revenue
Oct 1, 1928 to Sept 30, 1929	0
Oct. 1, 1929 to Sept. 30, 1930	$416,176.65
Oct 1, 1930 to Sept. 30, 1931	$279,699.12
Oct 1, 1931 to Sept. 30 1932	$945,494.11
Oct 1, 1932 to June 30,1934	$740,530.12
July 1, 1934 to June 30, 1936	$1,713,804.67
July 1, 1936 to June 30 1938	Now officially combined
July 1, 1938 to June 30, 1940	Now officially combined

Table 4. Income Tax**:**

Year	Revenue
Oct 1, 1928 to Sept 30, 1929	107.91
Oct. 1, 1929 to Sept. 30, 1930	30.79
Oct. 1 1930 to Sept 30, 1931	0
Oct 1, 1931 to Sept. 30, 1932	798,848.36
Oct 1, 1932 to Sept. 30 1934	54,800.00
Oct 1, 1934 to Sept. 30 1936	15,702.81
Oct 1, 1936 to Sept 30, 1938	Now officially combined
Oct 1, 1938 to Sept 30, 1940	Now officially combined

Table 5. Called "Income and Intangible Taxes" from 1931 to 1936 then changed to "Income, Corporation Excise, and Intangible Taxes" for July 1936 and beyond:

Income and intangible taxes, personal 1931 *recorded on 1931-1932 record	1, 215,000
Income and Intangible taxes, 1931-1932 *recorded on 1932-1934 record	2,252,500
Income and Intangible taxes 1934-1936	3, 574,312.82
Income, Corporation Excise, and Intangible Taxes July 1, 1936 to June 30 1938	9,973,500.00
Income, Corporation Excise, and Intangible Taxes July 1 1938 to June 30 1940	10,115,000.00

In 1931, they started to record both income and intangible taxes together but also separately in the cash statements of funds. The cash statements record income and intangible taxes combined but for the year prior. For example, in the 1932-1934 record, they put income and intangible taxes for 1931-1932. In the statements for year 1934-1936, they removed the year next to income and intangible taxes so we can assume that the receipt is for the exact year instead of the year prior. When they began recording with the 21-month span, they removed the intangible income tax by itself and started to officially combine income and intangible taxes. Then from July 1, 1936 to June 30 1938, they combined the three taxes into one receipt when recorded on the report of the state treasurer of Oregon as income, corporation excise, and intangible taxes removing excise taxes by itself.

The personal income, corporate excise, and intangibles taxes were projected to be enough to not only relieve property owners of the tax burden, but also to hopefully ease the budget deficit, but as we can see from the tables, the actual revenue fell short of what was expected. As we shall see in the next section of this paper, to counteract the failure of the measures, a push for a sales tax by Governor Meier was put forth in the following years.

Meir's Sales Tax Dream

On Dec. 17, 1931 Governor Meir made the announcement to lift the levy for operating expenses on real property. In 1932, the governor directed the State Tax Commission to not levy a tax against real estate for State purposes. During the Depression, property owners were getting hit hardest in terms of the tax burden and Meir made it his goal to redistribute the tax burden and provide relief to property owners. Governor Meir believed the funds raised by the new excise, intangible property, and personal income taxes would be sufficient enough that there would be no need for property tax. This was supposedly $4,500,000 worth of tax revenue he decided to slash and he was confident that the new three-way tax system would be enough to cover the cut (“Oregon Relieves Property Owners” *New York Times*. Dec. 20, 1931). With the success off the three-way tax system in 1931, the next step was to smooth out the rough spots to make the system more effective in the upcoming legislative session in 1933. One of the proposals was to equalize the charges against personal income, regardless of whether it comes from intangibles or wages. Another was to make the three separate laws into one and to include the public utilities, specifically exempt under the present law.

In May 1932, a new taxation plan was formed and a five-point program created by Governor Meir to cut costs and ease burden was adopted. Governor Meir stated that year that as a result of the provisions of the income, excise and intangible taxes, the burden on real property had diminished by some 14.42 percent (“Oregon Works Out New Taxation Plan” *New York Times*. May 22, 1932). The urgent need then was to lower governmental costs. The outstanding feature of his program was the recommendation of a system of centralized control over both levies for operating budgets and issuance of bonds for future improvements. Other items in the program included amendment of the income-tax law to raise the rates and reduce the exemptions, consolidation of local governmental unties, especially school districts, and formulation of plans for fixing reasonable salaries for all public employees. In controlling issuance of bonds, it is proposed that the County Tax Conservation Boards shall review the proposals and make recommendations for the voters to act on. Success of the plan for budgetary control would depend on the ability of the members of the Multnomah County Board. The board had been in operation since 1925 and had effected substantial savings for taxpayers. The new set-up would give the boards power of repeal over any part or the whole of a budget, subject only to the ultimate decision of the State Tax Commission on appeal.

By the end of November 1932, problems arose due to not taxing property. Oregon needed to find another source of revenue or Governor Meir would have to bring back the property tax he advocated so hard to remove. Thus, he suggested adopting a selective form of sales tax. This would come with mixed reactions. Governor Meir admitted that the suggestion was due to the failure of the supplemental income tax measure in the State election and the decline of estimated returns under the existing State income tax which amounted to an approximate $2,000,000. If Oregon was to avoid a deficit, they would have to come up with the money or Governor Meir would have to restore the property tax for 1993. The legislative session of 1933 was planned to convene on January 9th of that year and the Governor was determined to come up with some sort of revenue program for the body to consider before then.

The action to the suggestion can be divided into three main groups:

1. Those opposing a sales tax in any form on the ground that it penalizes the poor;
2. Those who are for the tax as a fair means of raising revenue and as a means of relieving real estate from its heavy burden
3. Those opposed to any form of increased taxation on the ground the State government should trim its operations in accordance with revenue received.

In the election of that year, the people clearly indicated a desire for economy in all governmental operations. All measures having to do with increased taxes or bond issues failed except a new license tax on chain stores operating in Portland and a bond measure for acquiring right of way for an arterial street to be connected with the State highway system. Balancing the budget by cutting costs and improving efficiency of services as well as find new sources was the one of the biggest problems confronting the Legislature. Again, the present income tax law produced enough in 1932 for the State to eliminate the State tax, amounting approximately to $4,500,000, on real estate and property owners were naturally opposed to its return in any form ("Oregon Considers Plan To Tax Sales" *New York Times*. Nov. 27, 1932).

Governor Meir would go on to call a special session, calling for the legislature to convene Jan. 6, six days before the regular session. The call was stated that the purposes of the special session was to enact a new tax bill and provide relief for the unemployed but the main business of the session was to come up with a solution to the tax problem. The reason that Governor Meir called for the early special session was due to a peculiarity of the Oregon law on the use of the referendum. Governor Meir's plan was to bring up the idea of a sales tax that, once approved, would raise $3,500,000 that would otherwise have been levied against real property. The Oregon law requires filing of referendum petition within ninety days after the enactment of any law. If the sales tax were left to the regular session, the ninety-day period would not expire until after tax-collection time.

The plan then was to levy the real property tax and enter it on the tax statements. However, after the special session, the legislature would then be asked to pass a sales tax with a rider providing that in the event a referendum is not invoked, the amount of the State levy shall be deducted from each statement on payment of the first half of taxes on May 5.

The plan, predictably, was met with general approval of property owners but the Legislature at the time, had a different mindset. They looked more towards the reduction of government costs rather than finding new tax sources so the idea of a sales tax was not met in the same manner by the legislature ("Oregon Sales Tax Up To Legislature" *New York Times*. Dec. 19, 1932). In addition, While Oregon was trying to figure out what to do to get more revenue, other states of the Pacific Northwest were also trying to do the same, particularly Washington and Idaho. The Legislatures of Oregon, Washington, and Idaho, then authorized committees to formulate a uniform sales tax to be adopted by each commonwealth.

When the special session finally met, things did not go exactly as planned by Governor Meir. Instead of passing the sales tax proposed by Governor Meier, or cutting the state budget, the special session of the Legislature repealed the three-mill levy on real property and then walked out ("Sales Tax Killed By Oregon Senate" *New York Times*. Jan. 15, 1933).   The legislators met and the governor suggested a sales tax as a means of raising additional revenue so that the real property tax would not have to be levied. They got close as the House of Representatives passed a sales tax act on the last day of the session, Jan. 7, whom then passed it onto the Senate for a night round. The Senate, however, defeated the bill by postponing action indefinitely. To make matters worse, they not only axed the sales tax act, but approved the repeal of the three-mill real estate levy which the House had passed on as a companion measure to the sales tax. The article states the sales tax would have raised approximately $3,500,000 a year, and would have aided materially in reducing the more than $4,000,000 deficit of the State treasury. It supposedly would have been able to accomplish this without the necessity of a tax on real property, leaving that levy to the local bodies as their principal source of revenue. The article also stated that early in the session it became apparent that the fate of the sales tax in the Senate was not at all bright. It also became obvious that the legislators believed the real solution to the taxation problem was to reduce the cost of government. It was also said that there was no doubt in the minds of observers that the Legislature will seriously endeavor to solve the tax problem, but instead of seeking new sources of revenue, will devise economies.

One of the effects of the rejection of the sales tax proposal was abandonment of the plan for a uniform sales tax that the three states of the Pacific Northwest- Oregon, Washington, and Idaho had worked to come up with. The plan proposed for Oregon was a 2 percent tax on all retail sales, with 60 percent of the revenue to go to the State and 40 percent to the counties. In repealing the levy on real property, the Legislature had placed Governor Meier in an odd predicament because it was through the Governor's action that the property tax was abolished in 1931. He hoped to prevent its return by the sales tax but because the Senate denied it, he then had to decide whether to veto the measure. The levy was made for 1933 on authority of the State Tax Commission. The Governor, of course, went on to repeal the Senates measure to repeal the property tax and "in a vigorous message" to the regular session called attention to the need for revenue because of the spending spree the State had been on, in common with other states. He said he was advised by members of the Legislature that if he vetoed the measure, steps would be taken to find some other source of revenue ("Sales Tax Killed By

Oregon Senate" New York Times. Jan. 15, 1933). The tax was levied with provision for its cancellation if a substitute tax were to be enacted

The legislators in Oregon get paid for forty days; after that, they work without compensation. Many times the sessions have gone far beyond payday but, in particular, the regular session of 1933 lasted twenty days over the regular period. In the session, the Legislature passed a general sales tax, lowered exemptions and raised rates on the personal income tax schedule, curtailed various activities and approved a budget for the coming biennium much lower than for the last one. Adjournment, however, does not mean settlement of the problem, for under the Oregon system the referendum can be invoked against any legislative act within ninety days after passage. In the case of the sales tax the Legislature, foreseeing such action, provided for a special election July 21 and referred the tax to the people.

There was well-organized opposition to the sales tax, with the State grange (grassroots organization representing the views of rural residents and the agricultural community) taking the lead ("Oregon Will Vote On Sales Tax Plan" New York Times. Mar. 19, 1933). As provided by the Legislature the general sales tax levied a charge of 2 percent on all retail sales and one-half of 1 per cent on all wholesale sales. Personal services and sales of all kinds, even an afternoon newspaper to a reader are included. A proposal for a 2 per cent tax on all labor sold was stricken from the bill. It was estimated that the bill would raise $5,000,000 a year, which would wipe out the State deficit in a comparatively short time.

The Legislature's action on the tax could be seen as strange, in light of the outcome of the special session, which preceded the regular one and which was made up of the same men. In the special session, the House passed the bill, but the Senate defeated it by an overwhelming vote. This time, the Senate approved the measure, but surprisingly as much as they defeated it (by a sizable majority) in the special session ("Oregon Will Vote On Sales Tax Plan" New York Times. Mar. 19, 1933).

The Oregon Sales Tax Act, also known as Measure 7, was on the July 21, 1933 ballot in Oregon as a legislatively referred state statute, where it was defeated and since then, has been defeated 9 additional times. Oregon remains one of only five states without a sales tax. The others are Alaska, Delaware, Montana, and New Hampshire.[8]

Table 6. Ballot Results for Sales Tax 1933

Oregon Measure 7 (1933)		
7Result	Votes	Percentage
No	**167,512**	**78.60%**
Yes	45,603	21.40%

Election results via: Oregon Blue Book

Gas and Automobile Impact

The introduction of the automobile proved to be a great source of revenue for the state of Oregon during the Great Depression. Below are tables showing the revenues provided by gas taxes as well as motor vehicle department fees (includes registration fees, license fees, transfer titles, etc.). I figured I would include this data to show the impact that the automobile had on the state and to support the variable of automobile registrations on per capita state tax revenue examined in the regression analysis in the following section.

Table 7. Gasoline Tax**:**

Year	**Revenue**
Oct 1, 1928 to Sept 30, 1929	**3,106,910.66**
Oct. 1, 1929 to Sept. 30, 1930	**4,558,908.63**
Oct 1, 1930 to Sept. 30, 1931	**5,293,945.37**
Oct 1, 1931 to Sept. 30 1932	**4,874,199.79**
Oct 1, 1932 to June. 30 1934	**11,269,038.91**
July 1, 1934 to Jun 30, 1936	**18,018,146.33**
July 1, 1936 to June 30, 1938	**22,165,890.17**
July 1, 1938 to June 30, 1940	**23,932,477.97**

*changed name from “gasoline tax” to “motor vehicles fuels, taxes collected by the secretary of state in 1936

Table 8. Motor Vehicle Department fees (registration fees, motor vehicle operators, chauffeurs, and dealers license fees and fees for certificates and transfers of title, etc.):

Year	Revenue
Oct 1, 1928 to Sept 30, 1929	7,612,595.29
Oct. 1, 1929 to Sept. 30, 1930	9,050,735.89
Oct 1, 1930 to Sept. 30, 1931	6,227,700.40
Oct 1, 1931 to Sept. 30 1932	5,221,669.38
Oct 1, 1932 to June. 30 1934	4,341,058.57
July 1, 1934 to June 30, 1936	5,336,548.81
July 1, 1936 to June 30, 1938	6,309,332.87
July 1, 1938 to June 30, 1940	6,620,183.69

Statistical Comparison of Oregon

From the data available, I was able to compare Oregon's per capita income, per capita federal grants, precipitation(inches), per capita auto registrations, and more with its surrounding states. These states are Washington, Idaho, California, Nevada, and Oregon. By examining these other states and their variables, we get a better idea how Oregon fared with the Great Depression compared to other states in the region.

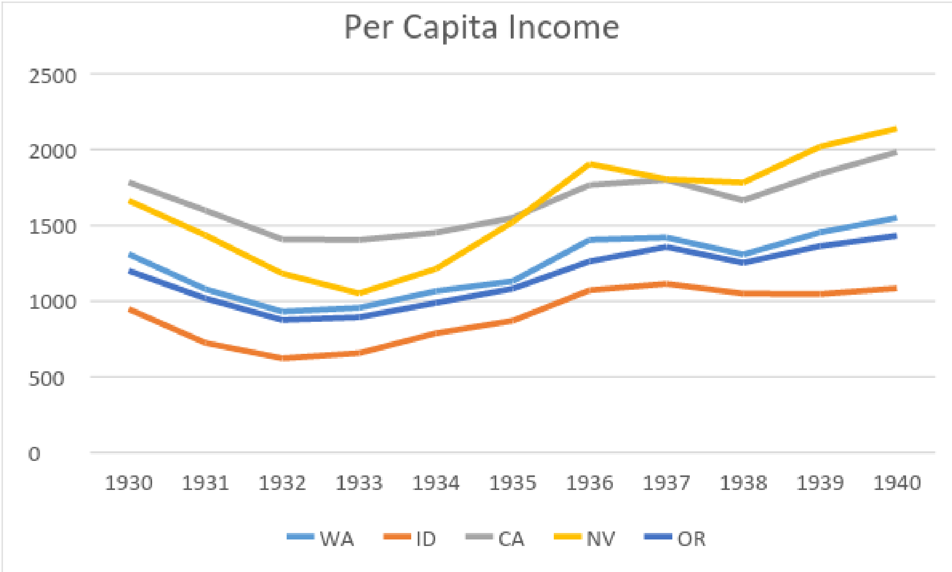

Figure 1. State Comparison of Per Capita Income

In Figure 1, we can see per capita income for each state throughout the years. We can see that Oregon's per capita income is consistently the second lowest only higher than Idaho.

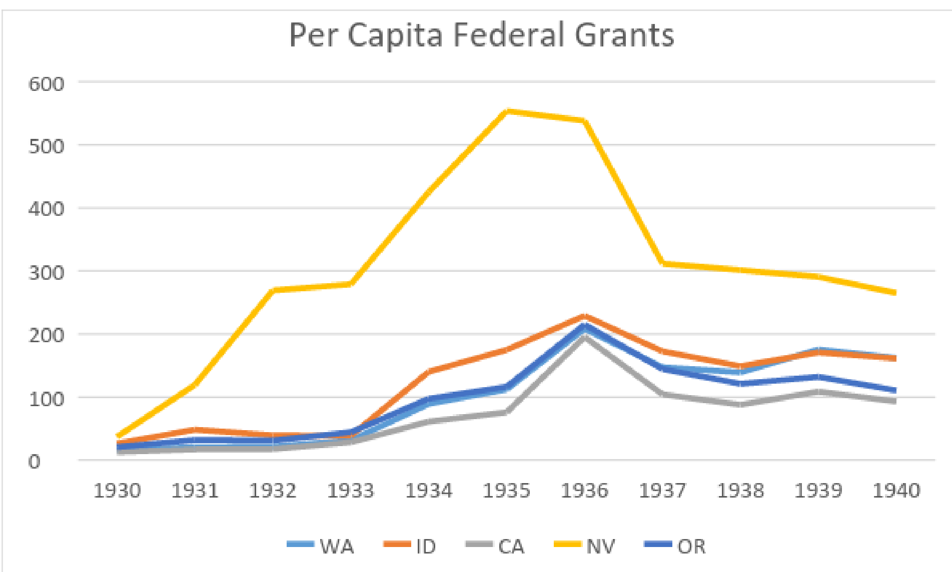

Figure 2. State Comparison of Per Capita Federal Grants

In Figure 2, we can see per capita federal grants received from each of the states. Once again, we see Oregon on the lower end of receiving federal grants. As mentioned in the regression analysis section, this should come as no surprise given Oregon's governors reluctance to receive federal help and putting the burden of relief on their counties.

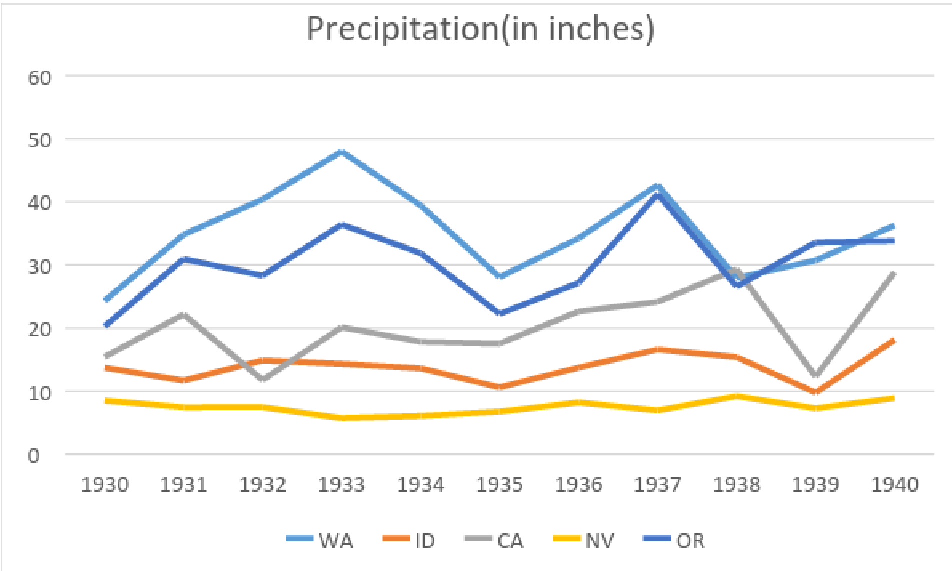

Figure 3. State Comparison of Precipitation

In Figure 3, the state comparison of precipitation in inches over the years is displayed. Agriculture was one of Oregon's biggest industries and thus it was important that there be adequate level of rain in order for their farmers to be successful. As we can see in the table, Oregon had the second highest levels of precipitation which allows to assume why they had a strong agriculture industry.

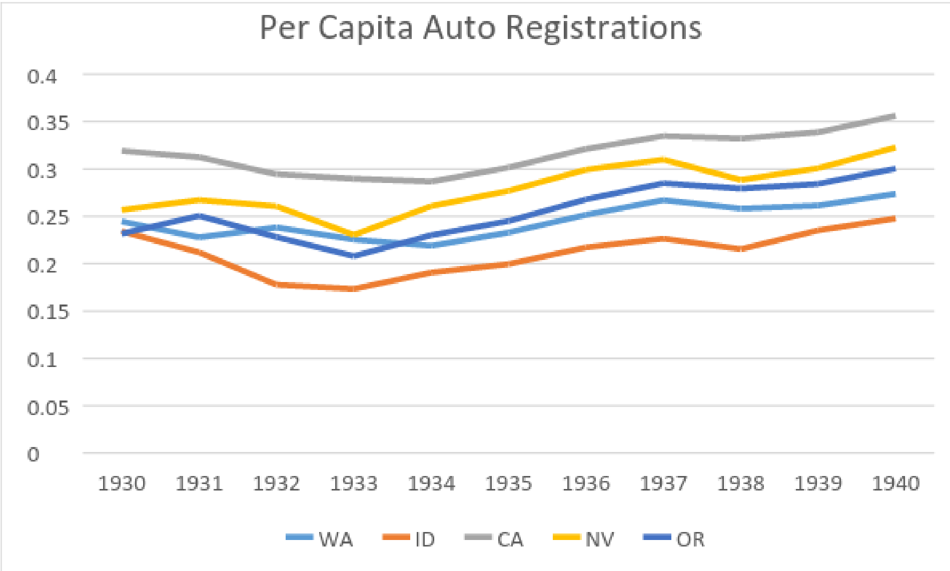

Figure 4. State Comparison of Per Capita Auto Registrations

Auto registrations are important to look at because not only does it provide substantial revenue to each state, it also can be used as a wealth indicator to give us a better idea of how wealthy the state was during these times. As we can see in the table, all the states will show a trend of increasing per capita auto registrations and we can assume that this means they are increasing in overall wealth. Oregon was in the middle compared to rest of the states throughout the 1930s, but also followed a healthy upward trend after 1933.

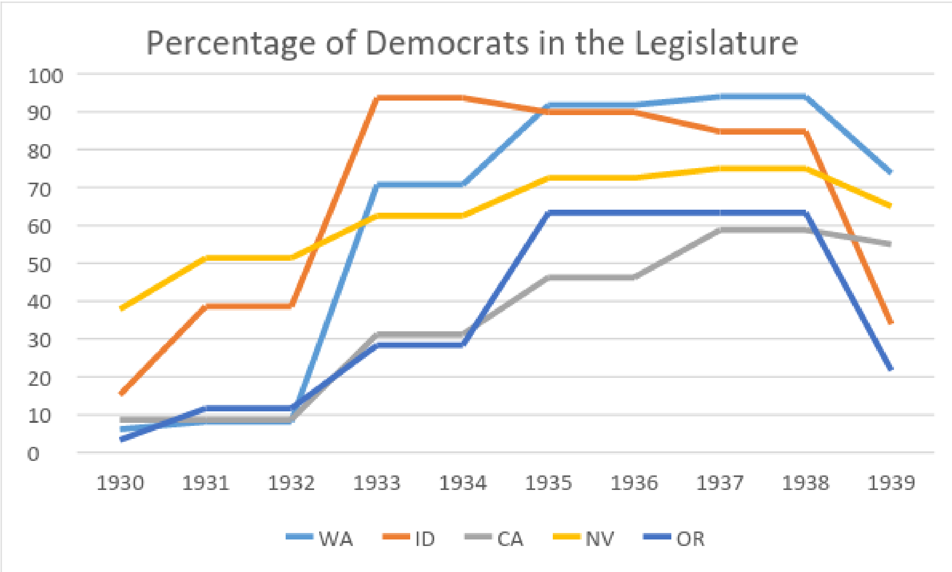

Figure 5. State Comparison of Democrats in the Legislature (in %)

Figure 5 shows the percentage of Democrats in the Legislature throughout the years. The statistic is important to notice because the with more democrats in the legislature we can expect more cooperation with the new deal programs as well as more willingness to provide relief. As we can see in the table, Oregon was mostly Republican at the time, and consistently battled with California for having the least percentage of Democrats up until 1935. It is interesting to note that 1935 is when Governor Charles Martin became governor and it was seen as a rising of the Democratic party. However, as mentioned earlier about Governor Martin, he became known for creating a rift in the democratic party with his opposition to democratic ideals and programs and ultimately was blamed for costing the general election in 1938. We can see this effect as the percentage of democrats in the legislature takes a huge dip after Governor Martin leaves office in 1938.

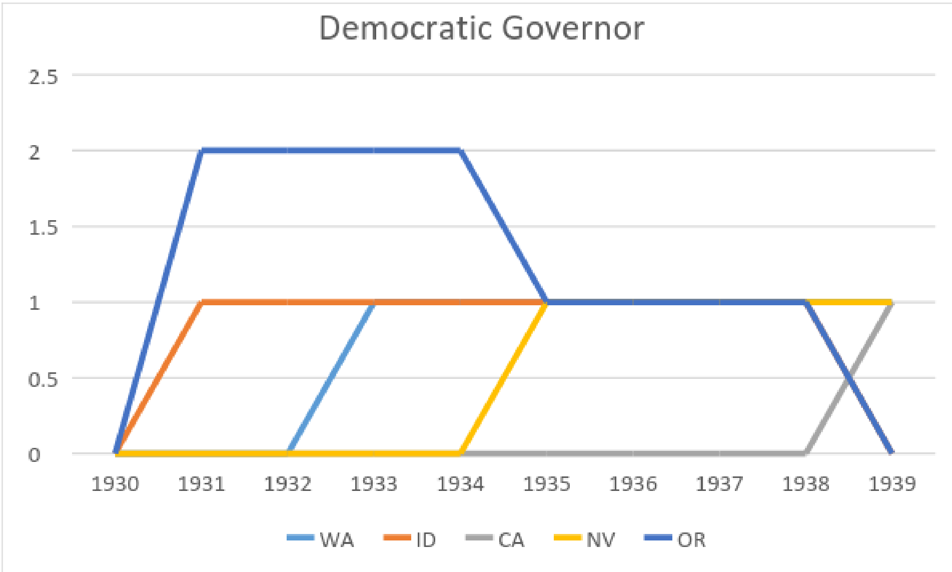

Figure 6. State Comparison of Democratic Governors over the Years

Figure 6 provides a state comparison of when democratic governors were in office over the years. I found this to be an interesting variable to examine as Oregon switched from a Republican (1929-1931), to an Independent (1931-1935), and then to a democratic governor (1935-1938) throughout the 1930s. It was interesting to see if the party of the governor had a heavy impact on the way the state dealt with the Great Depression. However, as we learned, all three, especially Governor Meir and Governor Martin, were similar in their approaches and attitudes towards relief and federal assistance.

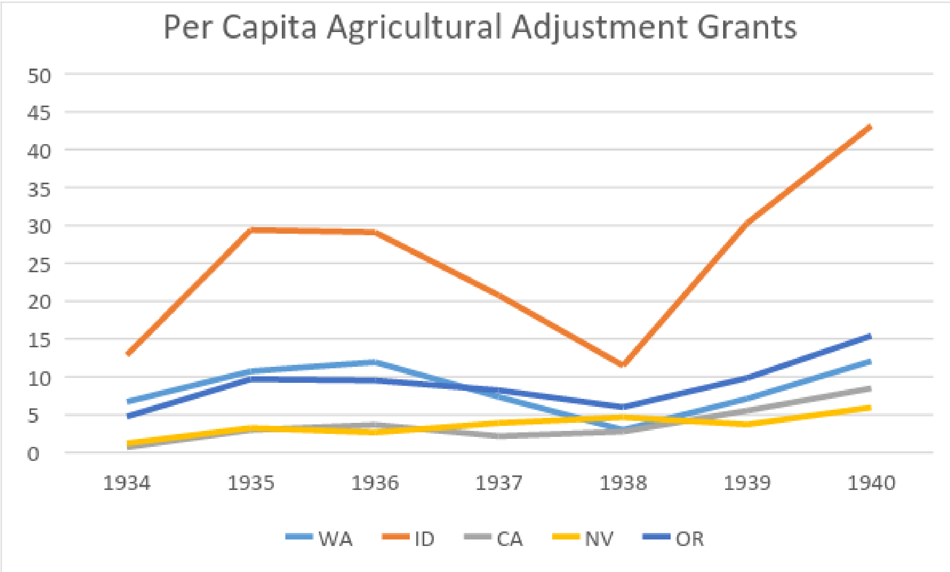

Figure 7. State Comparison of Per Capita Agricultural Adjustment Grants

Figure 7 shows us per capita agricultural adjustment grants received by each state once they began receiving the aid in 1934. Oregon received about the second highest amount of grants compared to surrounding states, with the outlier of Idaho beating out the rest of the states significantly.

Regression Analysis

With the Depression and the influx of New Deal Funds, the states created and used different mechanisms to cope with the effects. Therefore, state tax revenue per capita gives us a good idea of how much money the state was able to come up with to counteract the negative effects. I performed a regression analysis to see what variables had significant effects on per capita state tax revenue. The per capita tax revenue(pcstrevtax) is modeled as a function of per capita federal grant spending(pcgrantogr), per capita income(E1rypc), average precipitations(tprecip), automobile registrations per capita(pcautoreg), percent state legislature that was Democrat(pdemlo), democratic governor(govdem) and the Agricultural Adjustment Act(pcrsgaaa). It will also include dummy variables for the states (stct, stca,…,stwa) that will account for state fixed effects, as well as yearly fixed effects for each year (yr31, yr32,…yr40). All monetary figures are in 1967 dollars. I used the following model:

$$\text{pcrstrevtax} = \alpha_0 + \alpha_1\text{pcgrantogr} + \alpha_2\text{E1rypc} + \alpha_3\text{tprecip} + \alpha_4\text{pcautoreg} + \alpha_5\text{pdemlo} + \alpha_6\text{govdempcrstrevtax} + \text{stct} + \ldots\ \text{stwa} + \text{yr31}\ \ldots + \text{yr40} + \varepsilon$$

Predictions

Per Capita State Income: I expect Per Capita State Income to have a positive effect on taxes per capita. With higher income levels, should naturally come the ability to collect more taxes.

Per Capita Federal Grants: Oregon is a state whose government relied heavily on their counties to come up with the funds to provide assistance and relief. It was only when counties came to become overburdened that Governor Meir personally contacted President Roosevelt and requested federal aid in 1930., I expect Per Capita Federal Grants to have a positive effect on taxes per capita because I believe the state still looked to the counties to have to come up with money for assistance and relief as well the matching funds that will be needed to acquire federal relief that the state will be reluctant to assist with.

Precipitation: Oregon's economy was one that was heavily dominated by the agriculture and lumber industry. I believe precipitation should have a positive effect on tax per capita because more rain would lead to an increase in farm production, higher income for farmers, and less forest fire. With higher incomes, farmers will be able to pay the taxes for their farm land instead of leaving the land due to delinquent taxes. In addition, most of the forests were owned by timber companies and there was extreme risk of forest fires which they had to pay constantly to prevent from happening. With more rain, I expect there to be less chance of a forest fire and thus an increase in willingness of these timber companies to retain their lands, pay their property taxes, as well as stay in business that should ultimately lead to more income and productivity that can be taxed. Overall, more rain in Oregon should have a positive effect on state tax revenue per capita.

Auto Registrations- With the introduction of vehicles, comes the newfound ability to tax gasoline and acquire money through the distribution of auto registrations. In addition, the number of owned cars could indicate the level of average wealth in the state. With more auto registrations, I expect there to more per capita state tax revenue, and therefore, a positive coefficient.

Percent State Legislature Democrat- The majority of the state legislature in Oregon at the time was Republican. Republicans had firm control over both houses of the legislature and thus heavily influenced the administration of relief. They had control over programs like FERA, CWA, and PWA, and they reluctantly met the FERA's requirement that the state provided matching funds to qualify for federal grants. The general attitude at the time was that they could rely on the counties to provide enough revenue for assistance and relief with little help from the state and so I expect more Republicans being in office meant more tax being collected due to the state government's reluctance to assist the counties and work with federal aid. Given this, I expect the percent of the state legislature being Democrat should have a negative effect on taxes per capita.

Democratic Governor- The two main governors at the time of the Great Depression were Governor Meir who was an Independent, and Governor Martin, who was a Democrat. After Martin became governor, the Democrats were able to take control the lower house of the state legislature for the first time since 1878. Although I do expect there to be an increase in tax per capita, what makes it difficult to predict is the fact that Governor Martin, although listed as a Democratic, had actions which indicated otherwise. He opposed the New Deal and once stated "My most virile enemies in the legislature are Democrats and most ardent supporters are Republicans." Thus it is difficult to determine the value of having a Democratic governor given what we know of Governor Martin, but for now I will predict that there will be an increase in per capita state tax revenue.

Agricultural Adjustment Act- The AAA negotiated a total of 35,590 production control and soil conservation contracts, with a preponderant number of which went to wheat farmers in eastern Oregon. I expect that is have a positive value on taxes per capita because it significantly impacted the income of farmers and those in the agriculture industry. This may have allowed farmers to pay their property taxes to retain their land and farms. This could also go under the category of farmer loans.

Table 9.

OLS Regression **Without Fixed Effects** **With 2-Way Fixed Effects**

(State, Year)

Variable	Estimate	P-Value	Estimate	P-Value
Federal Spending Per Capita	-0.03453	.75996	.095686	.6757
Income Per Capita	.05599	.000792	-.009715	.8892
Auto Registrations Per Capita	95.72614	.40071	781.731117	.1995
Percent State Legislature Democrat, Lower House	.79684	.00502	.556747	.1580
Precipitation Inches Over Year	-1.12489	.000490	.037440	.9624

Democratic Governor	-26.74133	.03242	-20.199397	.2113
Agricultural Adjustment Act Grants Per Capita	.28689	.54883	.307510	.6187

Results

Table 1 shows the results from the regression analysis, first done without fixed effects, and then run again with fixed effects. The fixed effect analysis included state and year fixed effects. The state fixed effects include dummy variables for 13 states and the year fixed effects include dummy variables for each of the years during 1932-1940.

Income Per Capita- I expected Per Capita State Income to have a positive effect on taxes per capita. The coefficient was positive, but only when I ran the regression analysis without the 2-way fixed effects. Without fixed effects a $1 increase in income per capita increased per capita tax revenue by $0.06 but with fixed effects, actually decreases per capita tax revenue by $-0.009. The coefficient Income per capita is no longer statistically significant after adding in the fixed effects as the p-value rises from 0.000792 to 0.8892.

Federal Spending Per Capita- I expected federal spending per capita to have a positive effect on taxes per capita due to the assumption that the state would look to the counties to come up with the money to match federal spending on relief programs and that would lead to the counties taxing their people more. Without fixed effects the coefficient came out to be -0.03453 but with the 2- Way Fixed Effects the coefficient was .095686. It was surprising to see it go from negative to positive after adding in the fixed effects. Without fixed effects, a $1 increase in federal spending per capita had the effect of decreasing per capita tax revenue by $0.03, but with fixed effects it actually raises per capita tax revenue by $.10. Both however, turned out to be statistically insignificant with p-values of 0.75996 and 0.6757. I think the change from negative to positive is something to further look into.

Auto Registrations Per Capita- Oregon was the first state to introduce a gasoline tax, and there was extensive highway construction and work concerning roads and infrastructure. Therefore, I expected there would be an increase in per capita state tax revenue. Without fixed effects, for each auto registration was associated with an increase of $95.73 per capita. After adding in the fixed effects, there was a huge jump from an increase of $95.73 to $781.73 for every automobile registration. The coefficient of auto registrations turned out to be statistically insignificant with p values of 0.40071 and 0.1995, respectively.

Percent State Legislature Democrat- I expected there to be a decrease in per capita state tax revenue given the majority of the legislature at the time was Republican. My logic was that with more Republicans, comes more reluctance to work with federal aid and thus they would tax more of their people to come up with money for aid and relief. That was not the case. In fact, more Democrats in the legislature actually led to increases in per capita state tax revenue. Without fixed effects, there was an increase of $0.80, and with fixed effects, there was an increase of $0.56. This effect loses statistical significance after adding in the fixed effects as well, going from a p-value of 0.00502 to 0.1580.

Precipitation Inches Over Year- With agriculture being one of the biggest industries in Oregon at the time, I expected there to be an increase in state tax revenue with an increase in precipitation because farmers would have better farming conditions and thus more fruitful harvests. Without fixed effects, the coefficient came out to be negative with every inch of rain decreasing state tax revenue per capita by -$1.12. However, after adding in the fixed effects, every inch leads to an increase of $.37. Thus, it was only after adding in the state effects, that my prediction fell in line with what actually happened. However, this effect also lost statistical significance after adding in the fixed effects, as the p-value rose from 0.000490 to 0.9624.

Democratic Governor- My prediction turned out to be incorrect. I expected that because Governor Martin was a Democrat who was against many Democratic platforms and Governor Meir who was an independent and both governors following the same attitude of being notably stubborn when dealing with the federal government, it would lead to an increase in taxes to acquire revenue. However, it turned out having a Democratic Governor actually decreased per capita tax revenue. Without fixed effects, having a Democratic Governor decreased per capita state tax revenue by -$26.74 without fixed effects and -20.20 with fixed effects. Again, this is another variable that loses statistical significance after adding in the fixed effects as their value rises from a p-value of .03242 to .2113.

Agricultural Adjustment Act Grants- Many farmers lost land to foreclose when they were not able to pay property taxes. Thus, I expected the AAA would have additional effects as these farmers and other crop producers would be provided with money to retain their lands as well as provide them with more income from the higher value of crops as well as other sources of income that they might have pursued. Without fixed effects, the coefficient came out to be .28989 and with fixed effects it came out to be .307510. This means for every Agricultural Adjustment Act dollar per capita granted there was an increase of per capita tax revenue by .29 and .31 with p-values with and without fixed effects of 0.55483 and 0.6187 respectively.

Some of the results were surprising. Two of the variable coefficients went from negative to positive after adding in the fixed effects and one of them went from positive to negative. What caused these sign changes is something I will have to look into further. Four of the variables: income per capita, percent state legislature that was democrat, precipitation in inches over year, and democratic governor, all lost their significance after adding in the fixed effects. Auto registrations did turn out to have a positive effect as I predicted but the huge jump after adding in the fixed effects is something I will have to look further into. Having more Democrats in the legislature led to increases in tax revenue when I thought otherwise. In addition, Governor Martin being a Democrat with so much talk about how he was against most democratic federal programs, surprisingly decreased state tax revenue per capita when I thought it would increase heavily due to his reluctance working with federal aid and reliance on counties to come up with the money.

Conclusion:

Oregon had its fair share of suffering due to the Great Depression. As a state whose governors switched from Republican, Independent, and finally to Democrat, all of whom were reluctant to acquire help from New Deal Programs as well as being reliant on their counties for relief, eventually found its way to recovery and persevered. The state was a perfect setting for New Deal programs as much improvement towards infrastructure were made throughout the 1930s. Roads, bridges, buildings, damns, and highways were all constructed and it generated payrolls for the Oregon people. With so much land and resources, the use of these public lands were a focus and a blessing for the WPA as it was able to provide relief for the unemployed by putting them to work on the numerous projects spread throughout the state. Although Oregon was not completely rid of their economic problems that were brought about by the Great Depression, the reactions within the state as well as federal actions certainly gave the people of Oregon hope towards a brighter future.

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