

VOLUME IV

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1927

BIENNIAL MESSAGE

OF

JOHN HAMMILL

GOVERNOR OF IOWA

TO THE

Forty-second General Assembly in Joint Session

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GOVERNOR'S BIENNIAL MESSAGE

JOHN HAMMILL, GOVERNOR

To the Forty-second General Assembly of Iowa:

In obedience to a Constitutional mandate and in accordance with an established custom, I purpose to communicate to you information pertaining to certain affairs of our State government, and, advisedly, make such recommendations regarding new legislation as will promote the betterment of our State and contribute to the general welfare of our people. The reports of the several departments and state agencies made to the Governor will be presented to you as soon as printed and available.

A message by the Governor to the General Assembly must necessarily reflect conditions as they exist, affecting the State and the people, and if helpful, must point the way to such additions and modifications in the statutes as will best serve the purposes for which laws are made. However, I admonish you to ever bear in mind that in the making of many laws, alone, there is no virtue.

Cross currents of opinion and conflict of interests make progress difficult. The needs of government and of institutions of every sort increase as the demands of society increase and advancement made possible. We must expect to pay the price for the marvelous growth and expansion shown in the development of a better and greater State. Too often, we ultimately pay the penalty occasioned by delay in the solution of difficult problems of government because proposed legislation or methods of administration do not conform to our own selfish ideas and interests.

There always exists the temptation to seek the line of least resistance by caring for today and letting tomorrow take care of itself. Experience has demonstrated that this policy in the past has aggravated the problems of today and added to the difficulty of their solution. We should, however, find encouragement in the great interest displayed by our people in the processes of their government. Everywhere the demand grows more insistent that our government be placed upon a sounder business basis than has heretofore obtained. Carrying out a strictly business handling of our State affairs and in accordance with the plan laid down in my Inaugural address of two years ago, I shall regard myself as the

head of a great corporation and shall proceed in this message as if it were a report to the directors and stockholders. An official report, mistakenly, is generally considered as a mere record for reference and not for general knowledge by the general public. If correct judgments are to be formed, accurate knowledge is essential. Either for official consideration, or for historic value, the record year by year of the activities of any people is of the highest value.

STATE AND BUSINESS ACCOUNTING COMPARABLE

The basis of the method of accounting followed by a corporation is to record and report the accounts so that they will furnish the management with an understanding, not only of facts, but also of the trend of the business, and be an assistance and a guide, to the end that income may be increased and costs reduced. These are some of the reasons why in business, pressure is applied so that statements drawn from accounts may be issued promptly to be useful in conducting the business, and not be wholly a matter of historical value.

The accounting policy of a State, and in this, Iowa stands with practically every other state in the Union, places the fidelity of accounts ahead of the quick usefulness of the accounts. Business has learned that both fidelity and usefulness can be accomplished by the same method of accounting, but State governments have not yet profited from this experience of business.

The practice of the State is not wrong when standing alone, and without allowing for the habit of mind of the citizens who should understand the facts disclosed by financial statements. When considered from the standpoint of the citizen it may be found that very few of those to whom the reports are given understand them, and still fewer make use of them. The reason being, or at least seeming to be, that they are not in the form and not in the language used by the people in such matters.

Much of the method of accounting practiced by the State is the result of the provisions used in legislative acts, and undoubtedly the long line of capable and faithful officials and clerks have done all they could with the requirements hedged about as they are by acts of appropriation and authorization.

State legislation is usually written from the standpoint of the lawmaker, rather than from that of those who are called upon to

make the legislation work. Our state tax laws are made complex largely as the result of the way legislation is drawn.

GOVERNMENT ACCOUNTING

Active discussions are now being conducted by state officials and economists concerning important questions in accounting for government incomes and expenditures. Practically all of the states and many of the municipalities exceeding 30,000 population, keep their accounts and make reports on what is known as a cash basis; that is to say, no entries of either income or out-go are made in the books excepting those for which cash or its equivalent has passed into or out of the treasury of the State. Business does not do its accounting on this basis, but uses what is known as the accrual method, which is, to enter in the accounts all items due to or from the business when the fact of the amount is ascertained. This results in the setting up in the balance sheet of items showing the amount due the business but not yet collected, and amounts due by the business but not yet paid.

There is also the question of the calculation of depreciation in physical property owned by the state that this sum may annually be put into the cost of running the State.

Another question is that which concerns the centralization at the state capitol or the decentralization to the institutions operated by the State of the accounting for the institutions. A subject of very live discussion among economists is the effect upon the book-keeping of State appropriations made by the legislature; whether they shall be carried as liabilities or be treated in a balance sheet when the appropriation is alive or has expired. This is a question which may affect, the whole method of making appropriations by State legislatures when the question is clearly settled.

There is also the budget. Everywhere municipalities and States are falling in line with business and the Federal government, and most of the successful families in private life. Budgets are everywhere. They are in use and in discussion and they are the subject of many books and pamphlets in all lines of endeavor. A standard system of accounting will be of real assistance to the administration and the legislature, and to help stabilize and guide taxation through the means of budgeting.

These subjects are rather fundamental in business, and business does not understand why they should have been delayed in the accounting policy of State governments.

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THE PUBLIC IN THE POSITION OF STOCKHOLDERS

Bookkeeping of government is different largely in detail, but should not be much different in method, when compared with the practice of modern business concerns. Any business big enough to take in from all sources millions of dollars a year and pay out as much, would be expected by its stockholders to so record and report the important facts that they could easily be understood, and further, it would be expected to conform to standards that would permit it to be compared with others in a similar business. It seems certain that government must meet the needs of the public habit of thought in regard to financial statements as well as political policy. Methods and reports which make it so difficult for the people to become interested, and to understand the financial problems of government, should be changed promptly and thoroughly. Business has been quick to see that it must meet the changed habits and changed needs of the people since the war, and it is quite within the fact to say that since the armistice the method of doing business has completely changed because the mental attitude, the desires and the point of view of the people have likewise changed. It seems necessary then, that governments should change their former accounting or reporting methods to new ones that will be interesting to the people.

War has brought an increase in taxation of which the people see little else than the individual effect. The problems of government and the problems of government finance and taxation are all one in effect. The clearer the people see and understand the inter-connection of these things, the more intelligent will be the attitude of the people toward them.

RECOMMENDATIONS

I desire, then, to recommend that the State adopt:

(1) A balance sheet that will show in popular form the financial status of the State. By popular form is meant to so word the items that they may be understood by those without special financial education.

(2) The income and disbursements should be so set up that non-governmental income and disbursements will be shown separately from the income and expenses of government. This will permit capital outlays and capital borrowing to stand out by them-

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selves and be valued in accordance with the usefulness of the expenditure and the method of borrowing.

(3) A thorough-going budget plan should be provided and made to work, patterned after the Federal system.

(4) Accounting and other financial reports should be changed, not only to adopt a standard classification, but the change should avoid the present somewhat contradictory duplicate sets of accounts kept by the State and at our various institutions.

THE BUDGET

Under the provisions of Code Section 334, the Governor is directed at the time of delivering his Biennial Message, to transmit to the Senate and House of the General Assembly the State appropriation bill prepared by the Budget Director. In accordance with the provisions of said section, I now present in a separate document accompanying this message, the budget as prepared by the Director. Under our law, budgets are made at the regular biennial session of the legislature for the two ensuing years. The budget as submitted contains complete information, showing the total amount of the askings of the various departments, the receipts from other sources and the amount necessary, in addition to the receipts, in the way of revenue to carry on the various departments. The budget thus formed is then submitted to the Governor for his approval or modification, and is now in your hands for your careful consideration and guidance. It has been the endeavor of the Budget Director and myself to make a thorough and exhaustive investigation of the demands and necessities of the several State administrative bodies. The Budget Director has estimated and promulgated a budget, fixing the limitations and providing maximum amounts that may be appropriated in order to come within the estimated receipts. There have been sharp decreases from the askings of the Departments and it is our opinion that we have suggested a sufficient amount to maintain an efficient administration of the law without detriment to the public service. I call particular attention to the demands of the Budget Director for rigid economy and concur therein, the Budget Director having endeavored to establish a fair and just budget.

DEPARTMENT OF HEALTH

The State's greatest asset is the health of her people. In addition to the regular routine work of the Health Department, several activities have had special attention.

One of these has been the attention given the abatement of nuisances due to stream pollution. The principle that has underlain the activities of this Department has been that, while we cannot expect to maintain or restore the primeval purity of our streams in a thickly populated rural state such as Iowa, we can at least prevent the development of nuisances, and should so safeguard water supplies that the health of our people will not be endangered, while at the same time having due regard for the cost to our municipalities and industries, resulting from the treatment of sewage and industrial wastes.

The Sanitary Engineering Division of this Department has been able to advise communities as to the measures to be adopted to protect such supplies, to insure the proper disposal of wastes and to obtain the abatement and prevention of nuisances. In many cases already striking improvement has resulted. As a result of studies conducted by the Health Department on Lime Creek, Shell Rock River and Cedar River, findings were obtained that are pointing the way, it is believed, to a solution of pollution problems, and the disposal of manufacturing wastes—a solution that may be of inestimable benefit not only to the localities involved, but to other places within the State as well as to the industries themselves.

Another outstanding recent feature of health work in the State has been the launching and extension of the campaign against diphtheria. While other states have started similar campaigns, there are few of them that have had responses comparable to the splendid results obtained in Iowa. Because of limited funds, the Iowa State Department of Health has not been able to furnish the prophylactic material for this campaign absolutely free as has been done in a number of other states—nevertheless, by supplying a limited number of treatments to initiate the campaign, and by furnishing explanatory literature and general directions for carrying on the work, the State Department of Health has been able to create an unusual interest in this work. The expenditure of a very small sum for the prophylactic material, supplemented by aid from sources which made it possible to provide for the direction of the campaign, has already brought protection and a sense of safety to thousands of Iowa homes.

A vast amount of educational work has been carried on by pamphlets, addresses and correspondence. As many as 50,000 pieces of mail have gone from the State Department of Health in one quarter. Much of the information sent out is to meet immediate need, but the educational effects are not limited to the present and will necessarily later on have far reaching results in moulding and directing the thought and activities of health agencies in the State.

In accordance with the Iowa law and in order to prevent infant blindness with the consequent handicap to the individual and the State, the Department of Health started a campaign to have all new born babies' eyes prophylactically treated. The appeal carried an offer from the Department of Health to furnish free the prophylactic material to all physicians, and hospitals. The response to this appeal has been statewide, and it is believed that a very great service has been rendered not only to the children so treated but ultimately to the State.

Now that means of prevention have been so well worked out and so generally accepted, it is desirable that Iowa keep pace with other states in the eradication of disease and the abolition of disabilities that mar the happiness or curb the prosperity of our people. Iowa should not allow other states to outstrip her in preventive measures that her natural rural advantages may be more than outweighed.

STATE BOARD OF CONSERVATION

The State of Iowa can justly feel proud of its accomplishments in connection with the creation of state parks. The State Board of Conservation was created, acting jointly with the Executive Council, at first with the Fish and Game Department and later the work was confined to the State Board of Conservation and the Executive Council. The members of the Conservation Board serve without pay. They not only make a thorough study of the recreational possibilities of the different areas, but also look after the management of these parks and many details connected therewith, as well as the meandered lakes and streams. Iowa ranks fourth in state park systems. Never in the history of the State has there been as much interest in the great out-of-doors as there is today, due to the creation of state parks and the creation of public sentiment for same.

The State Board of Conservation has adopted the policy of receiving gifts and donations—the people of the State having been most generous in this respect. Large sums of money have been given for the creation of these parks and several tracts are outright gifts from individuals to the State.

State parks should be within easy reach and, therefore, should be scattered over the State to provide recreational places for the public. This does not mean that we should create a state park simply because a community wants it but the park should be outstanding from the standpoint of its scientific and recreational value along with its historic features. We owe it to future generations to preserve the rare geologic and scientific areas representing the plant and animal life.

Our lakes are a great asset to the State in that they convey the water supply and that they help to create conditions which will make possible the agriculture of this State. Our agricultural crops are dependent upon a certain amount of moisture and when our lakes and rivers are drained it will lower the water level and make more precarious the cultivation of an agricultural crop. It is therefore, important that the State should guard its water supply and the best way to do it is to preserve and protect our lakes.

The State Board of Conservation and the Executive Council have, under their jurisdiction, an area of 110,000 acres. This includes the meandered lakes and meandered streams and the land purchased for park purposes. The present appropriation is \$70,000.00 annually or for the biennial period \$140,000.00. Every park should have the needed conveniences. In addition to the \$70,000.00 there should be a special appropriation for the highways in the parks. If the parks are to be made useful to the public it is essential that good highways leading to them be maintained and provided for.

The lakes should be taken care of in a special appropriation, which could possibly be accomplished by a special provision extending over a series of years.

LABOR AND WORKMEN'S COMPENSATION

We have continued the high standards of administration established in the Labor Department. Inspections and enforcements have been carried out vigorously. The Department has carried

on its research and educational work, which is of great value in the many fields touched.

When the Workmen's Compensation Service was started in Iowa in 1913 it was in its experimental stage in the United States and it was with actual misgiving on the part of both workmen and employers that it came into being in this State. In practical operation it has won the cordial support of labor organizations and organized industry. Experience has from time to time developed need of amendment and the law has been greatly changed in several details; chiefly to the advantage of the workmen.

In workmen's compensation all settlements in personal injury cases are submitted for department approval, based upon statutory provision. It affords a medium with which workmen and employers may advise in case of misunderstanding, a process continually exercised with great saving of wasteful litigation and with amiable and equitable agreement. Where litigation is necessary, expense is nominal. Harmony between labor and employment is promoted. The saving to the taxpayers in court expenses amounts to many times the entire amount expended by the State in support of this department.

Assurance may be given that in its further development this service will continue the record of usefulness and progress recorded in the early years of its existence.

Progress has been made in the result of benefits to the injured workmen. Maximum weekly payments have been raised from \$10.00 to \$15.00 and other advantages in the way of burial benefits and medical attention.

There is now no escape from payment to the injured workman or his dependents, while in earlier years grief was common through non-insurance and other bars to relief. This is by no means to say that we have gone to the limit of equity in affording larger and better coverage to the victims of industrial accident, but it does show that we have made substantial progress in the earnest consideration of their misfortunes and the duty of society in their behalf.

FISH AND GAME DEPARTMENT

At the time the present incumbent assumed control of the Fish and Game Department the total funds available to the department amounted to \$5,952.87, as shown by the State Accountant's report

covering the period, April 1, 1919 to December 31, 1921. The balance in the department's fund, the Fish and Game Protection Fund, at the close of the last biennial period, June 30, 1926, was \$90,463.20.

In addition to creating a fund of this amount, which insures the carrying out of the department's program, the department has effected a noteworthy expansion and increase in results in every way. At the beginning of the administration, fish hatcheries were located at Spirit Lake, Lansing and Sabula. In addition to improving and enlarging these, new hatcheries have been constructed at Clear Lake and Strawberry Point, a stripping station has been erected at Arnold's Park, and bass hatching ponds constructed near Lansing.

Receipts have increased annually, permitting greater activity by the Department.

The Department is entirely self supporting, that is, no appropriation is made by the legislature, the Department operating solely upon fees collected through sources specified by law. Although benefiting the State as a whole, the expense of the Department is borne by those directly benefiting therefrom, inasmuch as the main source of revenue is the resident hunting and fishing license.

Rough fish, which are detrimental to propagation of game fish, have been removed annually from State waters, improving conditions for game fish as well as supplying the State with an appreciable revenue.

Aside from protection of fish and game, an important function of the Department is the propagation of game fish. During the present administration facilities for doing so have been extensively increased with proportionate results.

INSURANCE DEPARTMENT

The insurance activities in our State are one of great importance. It not only affects the business but the home life of the people. Through this Department a considerable sum is contributed to the maintenance of our State government. Iowa has become one of the insurance centers of the world, as is shown by the following figures from the Insurance Department:

There are twenty-eight (28) life insurance companies, fifteen (15) fire insurance companies, and thirty-six (36) casualty and miscellaneous companies organized and existing within the State of Iowa,

also one hundred sixty-one (161) county mutual companies. In addition to the above, there are one hundred forty-one (141) life insurance companies, two hundred forty-nine (249) fire insurance companies, and one hundred twenty-nine (129) casualty and miscellaneous companies licensed to do business within the State of Iowa, making a total of seven hundred fifty-nine (759) companies licensed to do business within this State.

The receipts of the Department for the year 1925 were: Taxes \$1,219,429.40, license fees \$101,862.40, other fees \$81,778.67, a total of \$1,403,070.47, of which amount \$4,884.00 was for publication fees and disbursed by the Department. The balance, \$1,352,267.40 was remitted by the Department to the State Treasurer as contemplated by statute. It is estimated that the amount to be remitted to the State Treasurer for the year 1927 will be in excess of the amount above stated by the sum of at least \$25,000.00. The total expenditure for departmental operation (exclusive of examiners' salaries and examination expense which is paid by the companies examined) for the year 1926, in round figures, was \$39,500.00.

As an indication of the growth of the Department, it will be of interest to note that the total reserves on deposit with the Department on January 1, 1926, were slightly in excess of \$228,000,000.00. As of January 1, 1927, the deposit will be in excess of \$252,000,000.00.

From the above figures you will note that this has become a Department of far-reaching responsibility, requiring greater diligence and care in the administration of the work of the Department and the very nature of the business is such that it is a department that is expanding and increasing each year.

STATE FIRE MARSHAL

Some of the outstanding features of the State Fire Marshal's Office for the year 1926 are as follows:

One hundred thirty-three investigations of suspicious fires in sixty-one different counties, which resulted in securing nineteen confessions for burning, five of which were from persons temporarily insane. Of the confessions secured one was sentenced to 15 years, eight for 10 years, and five are at the present time awaiting sentence. In addition to these confessions there were ten addi-

tional indictments and ten other cases sent to the County attorneys for their consideration and submission to the grand jury.

Inspection and the issuing of orders directing changes necessary for correction of unsafe conditions has materially reduced fires.

Educational work is carried on through Fire Prevention Programs and Bulletins for school purposes. The Fire Prevention campaigns carried on by speakers on Fire Prevention before Clubs, Chambers of Commerce, Schools, etc., has had a wonderful effect along the line of co-operation in removing fire hazards and educating the people concerning the causes and dangers of fire.

STATE INSTITUTIONS

The management of our State institutions is a large business proposition. The State, in connection with the institutions under the Board of Control, owns 12,265.79 acres of land valued at \$2,890,862.49. About 11,000 acres of this land is devoted to farm crops, orchards and gardens, the balance being used for institutional grounds. In addition 2,437 acres are rented by the State.

The Board reports to me that the value of all live stock, milk and crops raised on the farms for the biennial period ending June 30, 1926, was \$1,581,794.76, showing a net profit of about \$512,000.00. The value of live stock of all kinds is \$420,524.33. The value of milk produced for the period is \$412,000.00, showing a net profit of \$256,704.14. The average production of each cow is 9,980 pounds.

There is owned on the farms 789 head of pure bred Holstein cattle. The sale of young thoroughbred bulls for the last period brought a little over \$14,000.00. The sales of live stock during the period totaled \$284,000.00, a splendid showing and each legislator should visit these institutions as they furnish an inspiration for better farming and better live stock.

The institutional farm known as the Flynn farm has during the past year been thoroughly changed in manner of operation, and this farm which was a losing proposition to the State has been transformed under the management of the Board of Control to a profit paying institution, the State selling at the present time from \$1,200.00 to \$1,400.00 of milk monthly in addition to what is used on the farm. There are eighty cows on this farm at this time and it is the plan of the Board to raise the number to

one hundred. In the past this farm has been recommended for sale by former administrations, but in my judgment, located as it is in the close proximity to the capital city, and in view of the fact that within a short time we must have additional institutions, this farm should be continued and successfully managed and operated until the need demands its use for some other purpose. We must also keep in mind that underlying this farm is a large body of coal, which can be mined in due time by the State and the fuel furnished our institutions, if it is found advisable. The State itself is an extensive farm operator. Our farms are more productive today than ever in the history of the State, and are operated for our benefit and not for profit. Incidentally, they are of substantial benefit to the taxpayers because they relieve us of the necessity of purchasing many products that we are able to grow for our own use.

THE PARNELL ACT

By an act of Congress, known as the Parnell Act, which authorized an endowment for agricultural experiment stations and for other purposes, I was called upon either to reject or approve an appropriation of \$20,000 for the year 1925 and \$30,000 for the year 1926, in the nature of Federal Aid to the State Agricultural College.

I accepted and approved the said appropriation. Whether or not this aid is continued to the State, will depend upon the action of this legislature.

The appropriation allotted to Iowa for the third year is \$40,000 and for the fourth year \$50,000, and \$60,000 annually thereafter. This is a direct appropriation from the Federal Government and the State is not called upon in any manner to match said appropriation.

I recommend to you the acceptance and continuance of this Federal Aid for the State Agricultural College at Ames.

A measure will be presented to you by the State Board of Education in which the conditions as to the acceptance of this aid will be fully presented for your consideration and approval.

STATUS OF AGRICULTURE

Any comprehensive business program for agriculture, either for Iowa or any other agricultural State, presents three phases which

are, of course, inter-related. Any discussion of the subject which deals only with one phase and disregards the others must of necessity be incomplete and unsatisfactory.

First, we have to consider what the individual farmer can do by and for himself in adjusting his business so as to best fit his economic environment. Secondly, there should be taken into account what the farmers collectively through organization can accomplish in such a business program, and finally we have to take into account what organized society can do for the farming industry.

In this discussion I desire to deal with the responsibility resting upon organized society to develop a national policy that promotes equality between agriculture and other important population groups in this country. For a number of years it has been growing increasingly clear that our national policies, however well they may have suited the times that developed them, are operating to the disadvantage of agriculture, even to the extent of crippling it.

It is evident even to the most casual observer that we have developed in this country an agricultural plant far greater in its capacity to produce the essential basic crops than is required by the needs of our domestic market. It is not so clear to many people, however, that this condition is a direct result of the working out of government and State policies. Therefore, in considering a constructive national program for the business of farming, it is first necessary to examine these past policies and their effect on agriculture.

Our present farm plant was developed in an era of "free land." The homesteading and land settlement policies of the government aimed to "settle up" the frontiers at the earliest possible moment and to expand our farm production to the limit. During this era farmers who took the land were compensated for the unprofitable price of their products by the rise in the value of the land itself.

The homesteading era is largely past. This is not true, however, with other forces that developed at the same time and are still actively at work.

The United States Government for years has been committed to the policy of reckless reclamation, aimed to add new acres and new producers to our present productive total. Some of the States join hands in this—all seeking to encourage new irrigation, drainage and cut-over land settlement projects.

The war shifted gold supplies to the United States; it reversed

our situation as a debtor nation to our present status as the leading creditor nation of the world. These facts automatically restrict the volume of our exports by making it more difficult for other nations to trade with us.

In the face of these conditions, which would seem to demand from the nation the greatest care in the world to see that our agricultural export interests are safeguarded, we have plunged headlong into a new policy diametrically opposite to the one which national common sense should adopt. This new policy is one of extreme favoritism to industry, an incessant craze to expand industrial exports, regardless of what may happen to our farmers, with their exportable surpluses on our hands.

Our national policy encourages a monopoly of our export trade by our industries. Our Federal laws are definitely aimed to stabilize and protect labor, industry, transportation, finance and other important elements. Their organization, operating back of such protective legislation, enabled them to resist the influences that crucified agriculture during and following the deflation of 1920.

The accumulative effect on agriculture of these past and continued policies of our government are apparent on every hand. The first evidence has been prices that fail to return the cost of production to the producers of our most important crops.

Many people do not understand why there has not been an economic readjustment of agriculture which would correct these disadvantages. We must remember that the farmer has a fixed investment in his plant which is fitted for certain kinds of production, and cannot shift easily from an unprofitable to a profitable occupation. It is hard for him to leave the farm without tremendous sacrifices. The farmer inevitably tries to make up for low prices by growing more of the crops his farm is adapted to bear.

The question is what can organized society do in the way of a sound national program for agriculture. I believe we have in the United States brains and leadership sufficient to address this problem successfully. I am impressed with several things, which in my judgment, should be done in the development of such a national program as I have been discussing—one that I think would put the farm business in Iowa on a much sounder foundation. To be sure, this would call for a drastic change in State and national policies, but I feel that I am only one of an increasing

number of men in this country who believe that these changes must come to pass.

We should put the Federal Government back of a program on agricultural stabilization to just the degree necessary to accomplish the purpose summed up in the slogan, "equality for agriculture."

Realizing the condition of agriculture in January, 1926, I called an Agricultural Conference of eleven States. Those present at that conference in the truest sense represented the interests of their respective States, industrial, financial and commercial as well as agricultural, brought together a consensus of intelligent opinion on the farm situation in States whose prosperity directly or indirectly is bound up with that of agriculture. From first-hand knowledge they had no illusions as to the manner in which long standing national policies are working out to the disadvantage of the business of farming.

With the goal of a new national policy for agriculture directly aimed to secure and maintain economic equality for the farmer, the Conference provided for an executive committee of two from each participating State to work in that direction with the other great farm organizations.

The object sought by the Conference is to put agriculture on a business parity with other business enterprises. It recognizes that legislation plays an important part in all national policies, and so it will strive for the enactment of laws to promote the right kind of a farm policy for America. For the same reason it will work to prevent the enactment of laws inimical to agricultural improvement and equality. In every proper way it will support and encourage organization of farmers to carry out their business, social and legislative policies.

The legislative and economic program that has been started should be carried on and broadened with each opportunity to develop a better agricultural policy for this nation. This means that constant and competent study of the farm problem and of sound means to meet it, should be carried on. Legislation embodying the principles agreed upon should be brought to the best possible form in advance of the session at which it is to be presented. Facts and reasons should be prepared for presentation to Congress, and finally, the utmost effort should be made to secure enactment of the measures that are endorsed and proposed.

INDUSTRIAL COMMISSION

Shortly after my inauguration I appointed a commission of ten representative citizens of Iowa, and assigned to this commission the duty of studying the economic problem as it relates to the State of Iowa.

Iowa occupies a central geographic position in the production of the staple food articles of the Nation. Why should there develop a depression that is fast becoming ruinous to the great farming interests? It is no exaggeration to say that agriculture must be put on a level with other essential industries or national decay will soon set in.

Primarily I feel that there should be a closer relationship between agriculture and the industries. President Coolidge, in his address to the Land Grant Colleges, intimates that this country would soon be "preponderantly industrial," and an importer of agricultural commodities. We challenge this proposition as open to debate. Does it not indicate a purpose to build up large industries centered in the East and utilize the middlewest for food production which will more than ever be dictated by eastern consumers?

The Commission has made its report and has rendered a splendid public service. I submit their findings as a worthy contribution touching the present economic situation.

CORN BORER

From the standpoint of agricultural production, the threatened invasion of the European corn borer is of paramount importance.

The corn borer presents a problem of science, with particular reference to that of entomology. To meet this situation I recommend that the enactment of such measures in the form of quarantine and other regulations and appropriations be made as will enable the State, so far as possible consistent with constitutional limitations, to safeguard itself from the invasion of this pest.

IOWA AT THE NATIONAL DAIRY SHOW

Iowa was again successful in winning the United States championship at the Dairy Show at Detroit, Michigan in 1926. This makes the team eligible to compete in the International contest in

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England, in a similar contest in which the Franklin County team competed in 1924, giving Iowa the honor of winning twice at the National Dairy Show in the past three years. The Franklin County team in 1924 had their trip financed by the State. The winning team this year comes from Clayton County. Agriculture must be encouraged and in no better way can this be done than by rewarding the splendid efforts of the boys and girls who participate in these contests. There are from twenty-five to thirty States competing and while Iowa has been successful in winning twice in the past three years, it may look to some as though it might be setting a precedent, but I am of the opinion that Iowa, the greatest of our agricultural States with its natural resources, can afford to go on record with a permanent policy of sending the winners in a contest of this kind and character to the International Contest. For this reason I recommend that you appropriate the sum of \$4,000.00, which is an appropriation similar to the one made two years ago for the purpose of deferring the expenses of the team from Franklin County.

IOWA NEEDS FACTORIES

Iowa is the greatest food producing area of any similar section of the nation or of any other nation, and yet the 1925 Census shows an increase of only 188,074 in population during the past twenty-five years. For the same period a natural excess in births over deaths should have shown an increase of 673,126 persons. This, without taking into consideration any increase from without the State, shows that we contributed almost a half million Iowa citizens to other localities. The Census further shows that our sixteen cities of the first class increased 263,405 in population during the period, or a total equal to the entire increase of the State plus 75,331, thus showing the trend from rural to urban communities. This trend is inevitable because of the use of improved and more efficient machinery and methods used in agriculture. Iowa is especially well fitted to employ such improved machinery and methods and that she does so, is indicated by Census returns showing this to be the most efficient State in the Union in man power applied to agriculture. There is no doubt but that greater efficiency and effectiveness in food production will continue, and that the trend from rural to urban population will be inevitable until such time as the urban populations of the

State build up productive industries that will support fully employed workers at adequate wages, and in numbers sufficient to produce a local market of sufficient size to make profitable a more intensive cultivation.

The Census of Manufacturers shows an average employment for the factories of the State for 1900 of 44,420 persons. This number by 1909 had increased to 61,635 and by 1919 to 80,551. By 1923 the number had dropped to 77,842. This is approximately the present figure as indicated by available data.

This growth is in no way sufficient to employ the trend of population from country to city, let alone the natural increase of population to which we are entitled, and unless more of the products of the farm and the mine can be fabricated by Iowa factories into articles for use and consumption, there is very little chance for material growth in our State population.

With the methods of production above noted in handling the work of the farm, much of the labor heretofore employed is displaced and consequently forced into the cities, and is adding to the unskilled and partly skilled workers of these communities, in numbers sufficient to create at this time a surplus and consequent unemployment which if permitted to continue indefinitely will produce conditions elsewhere so costly. An idle man is never for long an asset but must in the end become a liability which will leave an imprint upon society and will act as a check upon our economic progress. Unless the farm and the mine and the factory can be built up co-ordinately, there is little chance for the full employment of labor now available, and certainly none to take care of a natural increase in population, or for the general advancement of dependent lines of industry.

There are few States that have so equitable a distribution of cities and towns throughout their area. Few of even our own citizens know, or at least appreciate the large diversity of the products of our factories. Our workmen are equal in skill to those of any other locality and the general intelligence of our citizenship is of a superior order. These elements coupled with our extraordinary natural resources should make Iowa one of the leading States not only in production of raw materials but in the fabrication of such materials into articles for use and consumption. Every encouragement should be given to foster and promote industrial enterprises; to make known to our citizens what is done and can be done industrially by our people; to extend

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industrial education among our workers, and to foster a system of distribution equitable and just to all interests.

So far as possible all interests should be harmonized so that we can have a united forward movement in industrial development that will place our State in its proper relation in population, growth and economic welfare.

FINANCIAL CONDITION OF THE STATE

It is a pleasure to report to you the financial condition of the State. The State has no outstanding obligations, except the Soldier Bonus Bonds, which amount to \$17,600,000.00, and on January 1, 1927 it contained in its Treasury an unencumbered balance of \$13,236,248.24 as compared with \$9,900,828.74 on the first day of January, 1925. The balances referred to include all State funds in the hands of the County Treasurers.

PARDONS, COMMUTATIONS, SUSPENSIONS AND REMISSIONS

In the past two years I have issued pardons, commutations, suspensions and remissions, as set out fully in a separate report presented to the General Assembly for its examination as provided by law. I have taken such action in each case as I believed the facts warranted, and as was recommended by the Board of Parole, or the Judge who presided at the trial and the County Attorney who prosecuted the case. In almost every instance, such clemency was also advised by a number of representative citizens residing in the community where the crime was committed. No action was taken in any case except as recommended by the Board of Parole, the Judge or the County Attorney, as indicated above.

PAROLES

I have given a great deal of study to the question of paroles and I am convinced that the Board of Parole should first make a thorough investigation and then follow with a recommendation to the Governor in each case and that all paroles should have his approval before the prisoner is released. This would insure a closer investigation of each case and fix the responsibility upon the Governor. I recommend that our Parole Law be amended accordingly.

BUILDING AND LOAN ASSOCIATIONS

In the matter of Building and Loan Associations Iowa occupies a proud position. The laws governing Building and Loan Associations in this State have for many years served as a model for other commonwealths. These laws were written with the direct intention that they should be a protection to persons depositing funds with the associations, and they have operated so well that in thirty-five years there has not been a failure of any association in the State, nor a dollar lost to any investor in any association. Since the laws governing Building and Loan Associations were placed on the statute books in 1896, there have been but two or three slight changes made by the General Assembly. Such changes as have been made have been found necessary to meet changing conditions. All, however, have been of a strengthening character. At present Building and Loan Associations are finding themselves handicapped to a certain extent by the explicit restrictions of the laws regarding the investment of their funds. Funds of the associations at present can be invested only in first mortgage loans on real estate. There is no better investment possible than first mortgage loans on Iowa real estate. At times, however, associations find there is a dearth in this character of a market for their funds, and preferably to accumulating large amounts of cash these associations should be granted authority to make other safe investments. To that end it is recommended that the laws be amended so Building and Loan Associations may temporarily invest their idle funds in bonds of the United States, bonds of the State of Iowa, or of any county, city, town or other political subdivision of the State of Iowa.

ARCHITECTS

In order to safeguard the public from incompetency of those engaged in designing and planning of buildings, I believe a law providing for the registering and licensing of architects would raise the standard of our Iowa architects. This in itself is not sufficient protection, but it is necessary as well to prevent by law, persons who are unable to pass examinations for a certificate to practice in their home State from coming to Iowa, an open territory. Twenty-nine States, including Illinois, Michigan, Wisconsin, Minnesota and the Dakotas now have in force laws for the registration of architects.

CLOSED BANKS

The administration of closed banks is difficult. All that can be done is to exercise good business judgment in the handling of the affairs. Curtail expenses, conserve assets, make settlements and collections, and wind up affairs as effectively, economically and speedily as possible.

There is no busier department in our State than that of the Banking Department at the present time, with the work of the receivership department, which now handles the affairs of a large number of closed banks with almost ninety millions of assets and 87,000 acres of land and a multiplicity of details in each closed bank. To this has been added the administration of the details involved in the operation of the Lovrien-Brookhart public fund bill.

The Banking Department has made a wonderful record in the economical administration of receiverships. The cost of overhead expense is only one-fourth of one per cent and the total cost in all receiverships has averaged only 4.3 per cent. This, in my judgment is the lowest cost for the administering of receivership trusts on such a large scale that has been made in this country.

The operation of the Banking Department proper has a large amount of extra work the past year on account of the conditions in the State, which have been without precedent and the force in this Department has been obliged to do a very large amount of extra work. Every effort has been made to be of constructive help to the bank under supervision, and the Department has been able to save scores of the smaller, weaker banks in the State which have been in difficulty.

The Banking Department under the present Superintendent has not closed a bank but in every instance the Board of Directors has voluntarily asked the Department to take charge.

TAXATION

Judge Cooley has said: "Taxes are the enforced proportional contribution from persons and property, levied by the State, by virtue of its sovereignty, for the support of government and for all public needs."

Although it is difficult to secure it, to be viewed as such, taxation is an economic rather than a political problem. It is essential to the material welfare of all the citizens of the State that we

have wise and just tax laws, those which will distribute the cost of government as evenly as may be, according to the ability of the taxpayers to meet the impact of the levy, always keeping in mind that that tax is best whose burden is the least and the exaction of which results in the least harmful effects upon business and industry, using those terms in the broad sense. Nobody escapes his share of the tax burden and the cost of government is an important item in the present day cost of living. A large part of the increased cost of government can be accounted for by the increased cost of every household in the State. The State has its own great housekeeping responsibilities to meet. It buys food, clothing, and fuel and all the other things which the householder buys. It even pays rent. These items of recent years have all increased in the same proportion to the State that they have to every household and every business institution. This can be demonstrated by figures which have recently been published, based on statistics gathered by the Federal Government and which show that \$1.71 is now required to pay for what \$1.00 bought in 1914. Under our present system of general property tax, there exists gross inequalities and favoritism as among the several taxpayers. Unjust or unfair taxation is an indictment of democratic government. You should make a comprehensive study of our whole tax system to see what changes may be made which would be of benefit to all of the people. It is undeniable that the general property tax on real property and such personality as is assessed, is very heavy. It is necessary to establish a plan in this State which will result in a better distribution of the costs of government. Your thoughtful consideration is called to this subject.

THE NATIONAL GUARD

The National Guard of this State has consistently continued its progressive development in all branches, and the end of 1926 finds this important element of Iowa's obligation toward National Defense, more highly trained, better supplied and more adequately equipped to answer an emergency call, in the role of a dependable force.

No one can honestly deny the wisdom of our defense policy as outlined in the "National Defense Act" of 1920. Of this our own National Guard is an active part. Its effectiveness as a force in

promoting the security of this State and Nation is well recognized.

In extending our moral and financial support to the Guard we are only meeting our obligation to the Federal Government in its effort to provide an adequate and economical military force for National Defense.

The Guard of Iowa, consisting of 3,664 officers and enlisted men is costing the State of Iowa less than ten cents per-capita of our citizenship, which provides for all administrative expense, armories, support allowances, Camp Dodge maintenance and improvements and all other expenses incident to its upkeep, except that of equipping, pay, expense of annual encampments, care and maintenance of animals, and instruction, which is provided by the War Department from Federal funds.

During the period I have been the Chief Executive of this State, nine cavalry stables, a Memorial Recreation building, a baseball and athletic field, and a large hay and horse barn, have been built at Camp Dodge from savings accumulated by the exercise of rigid economies, and without one dollar of appropriation additional to the sum already awarded by the General Assembly.

Our National Guard is composed of the pick of the young men in this State, they are of the highest character, and serve the State and Nation voluntarily. They have my unqualified respect, admiration and encouragement.

The degree to which the National Guard will advance in the State depends on the liberal support we extend to them, support to which I believe they are entitled.

WAR ROSTER COMMISSION

This Commission composed of the Governor and the Adjutant General was created by the 38th General Assembly, for the purpose of compiling a roster of Iowa soldiers, sailors and marines who served in the Mexican Border Service of 1916 and 1917, and the World War of 1917, 1918, 1919, and other historical data in connection therewith.

Our soldier and sailor boys made the supreme sacrifice. Some of them were taken by disease in camps, others faced the horrors of modern warfare in the trenches and on the open battlefield. We

can honor them but we can never repay them in full for the service they rendered at the call of the Nation.

A permanent record of the service of every man and every woman serving in these emergencies, should be completed and published at the earliest date it can be accomplished.

Every care possible has been exercised by those in charge of the work to make the history and service records as authentic and complete as possible, and it is contemplated that the copy will be submitted for publication before the close of the biennium ending June 30, 1927.

WAR TROPHIES

Early in 1926, the Adjutant General reported receipt of all World War Trophies allocated to the State by the War Department. I therefore, to insure an equitable distribution, appointed a committee composed of:

- Hon. E. L. Hogue—Director of the Budget.
- Brig. General Louis G. Lasher—The Adjutant General.
- Hon. Ray A. Yenter—Commissioner of Insurance.

This committee met on June 30, 1926, and determined on the following:

That all artillery pieces, some 40 in number, would be distributed to State Parks, the State Historical Department, Camp Dodge, and to State Institutions under control of the State Board of Control. The balance of the Trophies, consisting of rifles, bayonets, machine guns, etc., to be distributed to American Legion Posts, Disabled Veterans' Posts, and Veterans of Foreign War Posts, in the State, which have club rooms.

The Adjutant General reports that all artillery pieces have been distributed and that the smaller items will be in the near future.

INDEBTEDNESS

An amazing development in finance is taking place among our forty-eight states. It is a question whether the people—the taxpayers—are aware of this development.

The same disease that is affecting so many people and so many families today—that of allowing expenditures to mount above income—also appears to be afflicting the majority of our forty-eight

states. Comparatively few of our states are living within their incomes. Like the reckless installment buyer who contracts for more bills than his salary or wages will permit, most of our States are mortgaging their future to the extent of almost countless millions of dollars. Plunging head over heels into debt seems to have become the popular pastime of many States and many of our people.

A girl fifteen years of age was arrested and brought into Juvenile Court. After the court had questioned and admonished the girl regarding her conduct, the judge turned to the mother and said to her, "Will you now take this girl home and look after her?" The mother said, "No, I cannot. There would be no one to look after her. I am working." The judge asked, "Is it necessary then that you work?" And the mother replied, "Yes, I am buying an automobile."

The legislatures of many states are making appropriations so fast and furious that these states are falling far behind in the race to keep their incomes up to the increasingly high levels of their expenditures.

Analyzing a survey of the finances of our states recently made public by the Department of Commerce, we find that for the fiscal year of 1918 the per capita indebtedness of Iowa was 3.14 and that this debt for the fiscal year of 1926 had risen to 4.46.

Analysis of this survey and of previous ones also shows that for the year 1918 seventeen of the forty-eight states spent more than their income, while for the year 1924 twenty-seven states spent more than their incomes. Expenditures of three states were over twice the amount of their incomes. Taken as a whole, the expenditures of the forty-eight states were greater than their incomes by nearly \$150,000,000.

A third outstanding phase of the recent enormous increase in State debts is shown by the huge size of the debts of a number of our larger states as compared with the size of their debts for the year 1918. From 1918 to 1924 forty states showed an increase in their debts.

Only twenty-one states out of the forty-eight did not increase the size of their debts during the fiscal year of 1924.

Reliable data discloses that from January 1, 1920 to January 1, 1926, the forty-eight states as a whole contracted new debts twenty times as fast as they paid off old debts. During this same period, state and local governments combined were plunging into

debt more than four and one-half times as fast as they were before the War. Fully 10 per cent of all state expenditures are now required just to pay interest and amortization on the existing State debts. State bond issues have multiplied several times over in the last dozen years.

Considering the four chief aspects of State finances into one comparative sentence, it may be said, that in the forty-eight states taken as a whole, their debts have increased tremendously, their taxes and their expenditures have likewise increased, and their incomes have also mounted, but not in amount equivalent to expenditures.

With this alarming situation you should place upon the statute books of Iowa, that whenever bonds are issued there should be an annual tax big enough not only to pay the interest on the bonds, but also to pay off a part of the principal so that the whole debt would be wiped out within the lifetime of the improvement for which it is contracted. I recommend that this legislature order that no bonds hereafter be issued in Iowa for which retirement in annual payments is not provided. The same principle should also apply to all outstanding bonds when they are renewed; this would be technically entitled amortization and Iowa could not do better than to inaugurate a system of amortization of all public debts.

We have endeavored to give the State a business administration, to eliminate waste—apply the rule of economy and increased efficiency in all departments of government. Economy, waste and efficiency are the three most important words in business, and likewise the three most important words in the administration of government. Some may complain that a demand for economy is detrimental to business, but such people are absolutely wrong in their economics. When money is saved, it is not destroyed. As individual citizens we should seek to liquidate our obligations and to get out of debt. Nothing, in my judgment, would so help the business situation in Iowa at the present time as a general cutting down of debts.

I have laid before you the problems that I believe to be pressing us for solution. My faith in the recommendations I make in this message is grounded in the belief that they serve the best interests of all the people of our State. For complete success there must be co-operation. I, therefore, urge you to give it to me. I would like every member of the Legislature to feel free to confer with me at any time in relation to any of the subjects in this message or

any other matter that may be of interest to the State and its people. I would be glad to meet with any committee from the Legislature at any time. I would welcome an invitation from either or both of your Honorable Bodies to address you in person or to be publicly questioned by you at any time during the Session on any recommendation which I have made or may hereafter make.

Respectfully submitted,

JOHN HAMMILL,

Governor.

1927

INAUGURAL ADDRESS

JOHN HAMMILL

GOVERNOR OF IOWA

TO THE

Forty-second General Assembly

Des Moines, Iowa, January 13, 1927