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Governor Charles A. Sprague Administration

January 9, 1939 to January 11, 1943

Biographical Note

Sprague was born in Lawrence, Kansas Nov. 12, 1887. In 1910, he received a degree in education from Monmouth College in Illinois. He then moved to the state of Washington where he eventually became assistant superintendent of public instruction. In 1915, he left the education field and turned to journalism, buying part interest in the Ritzville Journal Times. Coming to Oregon in 1925, Sprague assisted in the publishing of the Corvallis Gazette-Times and in 1929, became editor and manager of the Oregon Statesman in Salem. Sprague continued to publish the paper during his tenure as Governor. He served as a trustee of Albany College in 1937 and Willamette University in 1939.



Sprague was elected governor in 1938 and served only one term. During Governor Sprague's administration, Oregon became the first state to initiate control over logging operations to insure enforcement of progressive forest practices. These practices included reasonable protection of trees from slash burns, not harvesting immature trees during cutting operations, and retaining some mature trees for seeding purposes. In addition, a state forestry research program was adopted. Governor Sprague also dealt with labor disputes initiated by strong-willed labor leaders, and closely followed Oregon's participation in World War II.

Additional resources: McKay, Floyd J. *An Editor for Oregon: Charles A. Sprague and the Politics of Change*. Oregon State University Press, 1998.

Inaugural Message, 1939

Source: Inaugural Message Of CHARLES A. SPRAGUE Governor of Oregon To the Fortieth Legislative Assembly 1939

Ladies and Gentlemen of the Assembly, and Fellow Citizens:

In the ceremony you have witnessed I have taken over the reins of government in Oregon from the strong hands of Charles H. Martin who has served as governor through four difficult years. I join with you in paying tribute to his courage and competence, and express the fervent hope that I may prove equal to the contingencies of the next four years.

An inauguration affords an eminence from which to view the political scene. The war which ended twenty years ago gave a profound shock to political and economic equilibrium. The late and persisting depression has repeated the shock which the insurgence of certain political forces in Europe now accentuates. It is vain to hope for a return to old stability based on 19th century relationships. We cannot restore old patterns of living any more than we can put back the colors in the geographies we studied, on the present map of Europe. Recent events prove that human society has not lost its dynamic quality.

Our constitution and laws were molded in the climate of 19th century liberalism. Since then the industrial revolution has transformed economic and social life. There are those who try to press this 20th century pattern into the narrow frame of 18th century legal conception. And there are other who would throw away the frame entirely. The political strain of our day arises from the clash of these schools of thought.

Over the world political and economic pressures have reacted against the idea of democracy. Authority is invoked to take up the slack in loose, popular government. The distinction between the new dictatorships and the old autocracies lies in the present glorification of the state instead of the person in power. This means nonetheless the submergence of the individual. While the aims of the present national administration are far different from those of European dictators the consequences of its centralization of power are apt to be somewhat similar: the submergence of the individual in the institution of government.

It is precisely at this point that the greatest danger in modern trends of government lies. For the individual does not exist for the state, but the state for the individual. In the long history of humanity the most precious spark is that of individual freedom. It is not too much to say that all human progress flows out of the initiative, energy and resourcefulness of the individual which flower best under conditions of liberty. Individual freedom must be tempered with responsibility. The erosion of self-reliance which comes through mass dependency leaves sterile the will and puts a brake on future progress.

The problem of our time therefore is not merely to preserve democracy as a working idea in government, but to maintain freedom and responsibility in an age when economic changes have made obsolete many of the political formulas which appeared to secure them to the individual. It is necessary therefore to take a realistic view of the present preliminary to an accurate forecast of the future. Some observers fall into error, for what they regard as fixed stars in the political heavens, safe to chart a course by, may be dead meteors seen through the rigid focus of fixed opinions. Democracy is not a revealed religion in politics. It will succeed only as each generation adapts political processes to meet the variation of the times.

These are generalization which may seem remote from Oregon and its problems. Yet I think we must have a clear view of the national and international scene if we are to make government play its proper role within the state. I charge the legislature and the citizens of this commonwealth to keep government the servant and not the master of the people; to hold to the faith that proper object of government is the welfare of the individual; and to be bold but not reckless in altering the devices of government to make it function more successfully in effecting that aim.

ECONOMIC PROBLEM OF OREGON.

The most pressing problem before this state, and the nation too for that matter, continues to be economic: how to increase the income of the people and provide for its fair distribution. This is not a suitable time for discussion the national aspects of the problem; but it is appropriate to take stock of Oregon's economic situation.

The first thing needed in this state is a restoration of confidence among business leaders. They have been in such prolonged distress through retardation in trade, labor disputes and new burdens of regulation and taxation that they have become discouraged. The last election should serve as a tonic, proving to them that the world of private business is not coming to an end. This should encourage fresh undertakings in commerce and manufacturing, small as well as large, which is the real genesis of recovery. I trust business men in all communities of our state will get a fresh grip on themselves and with new enthusiasm and courage take up the responsibility of forging prosperity without waiting for miracles from Washington or Wall Street.

A major trouble with Oregon is that its economy is out of balance. We import seven times as much in value of manufactured goods as we export. Our exports are chiefly raw materials or semi-finished products of agriculture and forests. Our balance of trade, as of 1929, was actually a minus four and a half million dollars.

According to the 1930 census 82,000 persons in Oregon were employed in agriculture; 52,000 in timber and wood industries; and only 22,000 in the remaining basic industries. We need industrial expansion to provide greater employment for our citizens. We need it also to provide better markets for agricultural production. Our farmers and orchardists and livestock growers suffer now because so large a part of their production must be shipped to distant markets at heavy freight cost. Local consumption would save this charge and greatly improve the position of our farmers.

I propose no special concentration of industries and want no "shacktowns" and factory slums. Wise industrial development will erase these slums and build up more thriving communities like West Linn, Coquille, Klamath Falls, St. Helens and other centers.

Forests

From the time when Rev. Jason Lee set up a sawmill at the mouth of North Mill Creek in what is now Salem, Oregon has been converting its great forests into lumber. This harvest of timber has advanced so far that now there are vast areas of logged-off lands which are virtually a desert. Many of these tracts have reverted to counties for non-payment of taxes. Divisions of government face hard times as the timber wealth is removed; and the whole economy of the state is endangered unless the timber industry of the state is conserved and tree growth renewed for the future.

This subject is one of pressing importance and under general discussion among public officials, persons interested in logging and lumbering, and leaders in public life. Some progress toward a solution of the problem has been made, but much more needs to be done and needs to be done speedily.

As early as possible cutover lands should be classified, under machinery now established. A better understanding is needed among state and county administrative bodies and private interests as to methods to be pursued and perhaps a clearer definition of the land classes. The experiment in grazing of seeded areas in the logged-off land country offers hopes of developing a substantial livestock industry in Western Oregon.

I am convinced that the wise handling of natural forest lands calls for their consolidation under public ownership except for those lands in the hands of strong private interests capable of carrying them through long growing periods. The public forests should remain public and only the timber crop sold as it matures.

This brings up the question of title to these lands. I am not in favor of enlarging the area under federal ownership. It seems to me that these cutover forest lands should either be acquired by the state, or if retained by the county that the management should be in the hands of the state which is the only agency capable of giving uniform and adequate administration. Net proceeds from these lands should flow back to the counties and taxing units.

I contemplate the creation of a strong forestry department for reforestation of these lands, for proper protection against fire and pests, for orderly marketing of mature timber, and maintenance of forests on the basis of sustained yield. The state must be prepared to expend money for this purpose, but this expenditure is an investment in future prosperity.

New legislation is needed to enable the state to acquire lands from counties or private owners or to enter into arrangements with counties for management of reverted lands. The state should qualify under the

federal Fulmer act under which the federal government is to supply funds for acquiring and reforesting lands.

The state should move with caution in this undertaking; but it is of prime importance that it move.

Agriculture

Largest source of wealth and of income in Oregon is agriculture and its kindred lines: horticulture, livestock and wool growing. On the whole agriculture has given a good account of itself in this state. Yet it is unfortunately true that returns to the farmer remain inadequate to compensate him fairly for his labor and investment. Here where we produce a wide diversity of products we have not a single farm problem, but many. There is no single and simple solution. The federal government is attempting to provide relief for farmers; but we should not rely solely on federal aid. The ultimate solution will come as farmers adapt new farming practices in line with changed conditions, and as producers are enabled to bargain with greater equality in the exchange of commodities and services.

Oregon has been progressive in its legislation in the interest of agriculture and generous in its contributions for support of agricultural research and extension teaching. It should continue to do everything practical to upbuild the farming industry.

Further development of mineral resources, conservation of wild life, and promotion of the recreational resources of the state will add much to the income and to the happiness of the people who reside here.

TAXATION

I come now to the subject of taxation. This is supposed to be the bugaboo of this session of the legislature. It generally is. Constitutional restrictions interfere with easy solutions of the revenue problem. The 6 per cent limitation puts brakes on increases in property taxes and the bar to adding the emergency clause to revenue measures forces legislative enactments to run the gauntlet of the referendum. These restraints are not wholly bad by any means.

My study of the tax question convinces me that it is not so critical as has been advertised. There are three points of pressure: first, demand for lower property taxes; second, demand for additional state aid for public schools; third, demand for larger sums for public assistance.

As to the first, the facts show that the payer of property taxes has enjoyed relief both actual and relative. From the peak of \$50,794,633 of property taxes in 1929 the roll has declined to \$40,317,392 in 1938, a reduction of 20 per cent. Again: property taxes amounted to 88 per cent of the total of all state and local revenues in 1922; 72 per cent in 1930; and 62 per cent in 1937,--a steady and market decrease. Again, if we eliminate the property tax paid by utilities, the taxes levied against locally assessed property amounted to only 49.62 per cent of the total of state and local revenues for 1937.

Moreover the principal levies on property are those of units closest to the people: schools, which used 43.66 cents of the 1938 tax dollar; and cities and towns which used 24.46 cents. Public demand rather than state laws accounts for most of these local levies.

Statistics as to tax delinquency and land foreclosure are not so alarming as they sound. The generous spreading of tax payments over terms as high as 40 years has served to retard collection of taxes. Lands which have reverted are principally cutover lands whose owners do not want to wait a century for a new crop, marginal farm lands and vacant city lots whose speculative value always oozes in times of adversity.

Lands eventually adjust their values to meet their tax loads: changes of the last decade in the latter have not been adverse to the former. The troubles of the property-owner are due to the low state of business rather than the burden of taxation. It is true that the burden for the people as a whole. The only way that can be done is to shrink the costs of government, and that is something the people appear quite unwilling to do.

I should like to see property taxes further reduced: but I see greater hope for relief in the stimulus to commerce and agriculture and industry which will lift the level of income and thus lighten the pressure of taxation. Meantime there are specific things which might be done: first, standardize and make more thorough the system of assessment, assigning the assessment of timberlands to the state tax commission; second, be more energetic in collecting property taxes; third, create tax conservation boards in all counties with authority to pass on local budgets; fourth, cut down the public debt (with particular reference to cities). The net debt of the state and civil subdivisions has decreased nearly \$50,000,000 in the last eight years, a noteworthy gain.

I pass now to the subject of education, particularly as it relates to taxation. Oregon is at the bottom of the list of states in amount of state aid for elementary and high schools. There is wide disparity and gross injustice in school tax rates. Of the 2,085 school districts of the state 681 levy no special tax for elementary schools. For other districts the taxes range as high as 50.7 mills.

The time has come for a major operation if we want to do justice in school taxation and provide fair and adequate schooling for the children of the state. We cling to an archaic multiple district system at a time when we have abolished small road districts and when transportation facilities bring central schools within easy access. I oppose making large state contributions to be poured down the funnel of wasteful and inefficient multiple school districts. I am aware of opposition to the county unit system; and I do not propose to force that on the people. I am genuinely friendly to the idea of keeping the rural school fixed in the rural environment. But it is a mistake to stick blindly to the system of small school units. Experience has amply demonstrated the value of larger units.

I want to call your attention to a recent exhaustive survey of the common school system of Washington made by a competent staff. This survey led to recommendations for the reorganization of local school districts to provide larger units of administration and areas of attendance. Conditions here are similar to those in Washington and the same recommendations apply here.

I endorse the following program for school reorganization where counties do not come under the county unit plan:

1. Uniform county tax for elementary and high schools, as proposed by the state superintendent of public instruction, with additional tax-levying power for districts, under limits.
2. District reorganization to reduce the number of districts, to be made by a board composed of the county school superintendent, county highway engineer, county judge, chairman of the non-high school board, and three representatives of school boards in territory affected, to be named by the ex-officio members. County plan to be approved by the state board of education.
3. This reorganization board to designate approved high schools, with district per capita costs of non-residents to be paid by home districts.
4. Provision should be made for adjustment of assets and liabilities of existing districts and for creation of joint districts in adjoining counties where required.
5. Provide for future revision of districts.

Public Assistance

The third factor in the tax problem is the financing of public assistance. This state and nation have embarked on expanded programs for social security. The emergency which inspired this extension of aid has been prolonged seemingly into permanence. Government has undertaken the task of caring for the impoverished, for dependent children, for the blind and for the aged. I believe the people want assistance continued for those whose need is real and whose independent resources are too meager for self-support.

The time has come when we need to coordinate more fully the various phases of the social security program. Emphasis should be put on rehabilitation and return of individuals to self-support. This means cooperative effort on the part of the relief administration, the employment service and the unemployment compensation division.

Oregon has not been remiss in meeting its obligations to the needy. The amount of money expended under the direction of the state relief committee has increased from zero a few years ago to \$15,000,000 in the last biennium. The budget for the next biennium calls for nearly \$22,000,000 for public assistance.

The demand for old-age pensions has been most insistent; and I want to see Oregon increase its contribution promptly so that the present legal maximum of \$30 a month will be available to all needing that amount. Increases in old-age assistance however should not come by unfair shrinking of contributions to those on relief who are below age 65. If legislative appropriations are made in bulk to the relief administration however, the division can be made as the needs justify.

Your task, and mine, is to ascertain if the funds available will provide adequately for the assistance needs of the state during the biennium; and, if not, to devise new sources of revenue to supply the needed funds.

My study leads me to this conclusion: the state and counties are supplying about all the revenues they can for these purposes at the present time. I know of no source which would supply revenues in volume which would be approved by the people on referendum. I do not favor the imposition at this time of a sales tax or a gross income tax.

The only change I submit for your consideration is to consolidate the intangibles tax with the income tax, and to change the personal exemption in the latter to a fixed credit against the net tax. The object is to simplify the tax system, to lighten the burden on holders of small amounts of intangibles and sustain the productivity of the two taxes on at least the present basis.

My conclusion is that our present tax structure placing reliance on property and income taxes is sound, and if the legislature will apply rigid economies in appropriating money the revenues will be adequate for essentials of government during the next biennium, including substantially increased sums for public assistance.

LABOR

One subject which has bulked large in public attention is that of labor. Encouraged by friendly federal legislation and more friendly administration organized labor moved aggressively to enroll non-union workers within its ranks. The organizing effort in this state led to violence and crime: assault, bombings, arson. Finally the forces of law rallied, and at the insistence of Governor Martin the perpetrators of criminal acts were apprehended, tried and convicted. I pledge you that the gains thus made will not be relinquished during my administration.

To curb abuses of powers recently acquired by organized labor an initiative was prepared and submitted to the people at the last election and adopted by them. I felt and still feel that the initiative was defective in its

drafting and too drastic in its terms. Its sponsors defend it and its enemies announce their intention to test its validity in the courts. Let the law pass therefore to the test of the court and of experience.

I cannot refrain, however, from submitting to you the plan which had matured in my mind for the curb of some of the abuses which have grown up in the labor movement. That plan in brief was to carry through the basic idea of the Norris-LaGuardia act and Wagner act, freedom of organization, and give to the workers full right of self-decision, free from intimidation or coercion by employers or labor organizers. This decision, recorded in election held under public auspices, with proper protection of crafts as bargaining units, should be respected by employers and labor organizations. Such a plan would cure a defect sure to show up in the operation of the initiated law, namely its failure to define the term "majority" or to set up machinery to ascertain the choice of the "majority". I may submit measures showing how this plan could be incorporated into the laws of the state.

My greatest concern, however, is not for more law or less law on the subject of labor relations but for a healthier attitude on the part of employers and employees and leaders in the labor movement. All parties have suffered severely from the prolonged disputes that have wracked Oregon the past four years. My plea is for a season of labor peace; and my strongest effort will be directed toward keeping our industries operating with labor fully employed. I urge the legislature to keep the same goal clearly in mind.

PRISON AND PAROLES

The time is ripe for the improvement of our penal system. The state prison is overcrowded and there is too little occupation for the inmates. I recommend adding a story at the prison annex and using that institution to house the more worthy of the mature inmates and of youthful first offenders. I hope also that the board of control can develop new occupations for inmates, and can coordinate better the farm and industrial work of the several state institutions with the purpose of making them more nearly self-supporting and providing useful work for those able to do it. Honor camps in state forests can be used to relieve the overcrowding at the prison and to rehabilitate those assigned to them.

An interim committee has studied faithfully the subject of paroles of prisoners. It has prepared a bill embodying the fruit of its labors. I recommend it for passage and particularly approve of the plan for an enlarged staff for supervision of parolees. The added cost should be more than offset by savings in prison cost and in prevention of return of parolees to prison.

ROADS

The state highway system, launched over twenty years ago, is one of our most valuable assets. It is not completed, and never will be completed. We must take a long-range view of road problems and set our pace on the basis of a cost we can afford. Financing by long-terms bonds should be avoided; present debt should be scaled down steadily.

Immediate needs are the completion of the primary system in Eastern Oregon, reconstruction of the Pacific highway, construction of water-grade highway up the Columbia and rebuilding of the Coast highway at its southern end. Many improvements on other roads are also justified. These needs call for all money available in the immediate future.

At present cities of the state are pressing demands for a share of the receipts of the gas tax. These revenues are public revenues, and the law-making authorities have the responsibility of determining their use. I urge the legislators to give fair hearing to those who urge and those who oppose an allocation of gas tax revenues to cities. My own study of the problem inclines me to the opinion that, in view of the smallness of the sum now available for construction, the public interest will be better served by continuing the present program,

with the highway commission directing the expenditures of these funds on the state highways both within and without cities.

POWER

It this state electric power has been a “hot” subject for a great many years. It still is. Bonneville is here, but dissension attends discussion of its utilization. The law covering administration of the federal project distinctly gives favor to publicly owned or cooperative power districts; but in Oregon private utility companies are well entrenched and to date most of the efforts to create public power districts has been rebuffed by the electors. Controversy has also raged over uses of the energy, some of the groups friendly to public power being opposed to large scale industrial use of the power at or near the dam site.

The latter controversy is unfortunate and in my opinion unnecessary. The platform of the late George W. Joseph, who gave the big impetus to the public power movement in 1930, urged development of our water power resources so that “cheap power may be made available for industrial purposes and domestic uses in our cities and rural communities.”

Julius Meier, who was elected to carry out the Joseph platform, made this statement in his inaugural address eight years ago:

“Water power is the magic key to industry and with our water power developed cheaply and in abundance Oregon’s future greatness and prosperity is assured.

“With our water power so developed every home—city and rural alike—would be electrically lighted and heated, and the wheels of Oregon industry electrically driven.

“With our water power so developed Oregon’s manufacturing plants would be able to compete with the commerce of the world and new plants from all quarters would seek location within the state’s borders.”

I think we need to recapture the vision of George W. Joseph and Governor Meier and utilize these abundant water power resources for town and country, for farm and factory.

Whether portions of the state within the economical transmission range of Bonneville shall undertake public distribution of electric energy is a question squarely before people for decision. Several of the municipalities of this state are successfully operating electric power systems. In view of the sympathy of federal officials for public distribution of power it is altogether probable that Oregon communities will desire to create such utility districts. I believe a revision of the present law on the subject is in order. Changes should allow for the issuance of revenue bonds, for contributions by districts in lieu of taxes, for reasonable restraint on taxing power and for dissolution of districts if after a term of years they remain inactive.

I urge that the problem be considered fairly and honestly and that a good workable law be written. This law should not be so loaded with restrictions that the very act will impede formation of these districts; and it should not be drawn so loosely that the public will become the prey of grafting promoters.

In view of prospective industrial development in the vicinity of Bonneville, a joint committee of the Pacific Northwest Regional Planning Commission, the Washington State Planning Council, and the Oregon State Planning Board urges the appointment of a committee representing Oregon and Washington to study a possible interstate pact for the protection and development of the scenic and recreational resources of the Columbia Gorge. I recommend the appointment of a senator and two representatives to be named by the presiding officer of each house as Oregon members of such a committee.

PUBLIC MORALS

The present plan of liquor control is giving fair satisfaction. State control should not, however, be regarded primarily as a revenue producer. The main purpose of the plan was to provide a workable substitute for prohibition which would eliminate the evils of bootlegging and attendant corruption and still hold down intemperance. I plan to administer the law in the spirit of that original purpose.

The legislature in 1935 modified the 1933 law to permit the sale at package stores of wines in excess of 14 per cent alcohol, by weight. The general retailing of these "fortified wines" has been attended by serious abuses. It is my opinion that the public morals would be improved if the sale of "fortified" wines were confined to state stores. I would not approve of allowing the sale of wines by the glass at public bars. I join with the liquor control commission in urging a change in the law to give the commission closer control over so-called clubs which are in fact bars for sale of all kinds of liquors for consumption on the premises.

If legalized parti-mutuel betting at race meets is to be continued I recommend that the state's share be increased to 3 per cent. I also recommend that the state's share be covered directly into the general fund and that definite appropriations be made from the general fund for the support of the present beneficiaries.

FISCAL REFORMS

There are certain reforms in state fiscal policies which would, I believe, be productive of good.

First, appropriations by the legislature should be made to cover fiscal years (which end June 30th) rather than calendar years. At present departments are forced to operate the first quarter of a biennium without funds, trusting that the legislature will supply the necessary money. I recommend that the assembly at this session make appropriations to cover the normal biennium, and supplemental appropriations for the six-month period ending June 30, 1941. This will bring appropriations into harmony with the present accounting period and end the season of technical deficits at the beginning of bienniums.

If this is done the residue in the continuing appropriation for relief and old-age assistance should be returned to the general fund. Future needs would then be covered by appropriations for the term.

If this is done the residue in the continuing appropriation for relief and old-age assistance should be returned the general fund. Future needs would then be covered by appropriations for the term.

Second, I recommend a redefinition of the terms used for budgetary classification in order to simplify accounting and do away with present conflicts in interpretation of the law.

Third, I believe that the so-called self-sustaining unites should be under budgetary control of the legislature; that residues in particular funds of such units (aside from fiduciary funds) or at least the excess above reasonable reserves should revert to the general fund at the end of the biennium.

Fourth, unexpended balances of continuing appropriations should revert to the general fund if not used within a term of years, say three, after their appropriation. The carrying forward of such unused appropriations indefinitely makes the state's financial situation uncertain.

SUPPLEMENTAL RECOMMENDATIONS

Inasmuch as the state relief administration now exercises important functions in the care of dependent children I recommend that the child welfare commission be abolished and its duties be transferred to the state relief committee.

The Willamette Valley project has been approved by the federal government and funds for beginning the work are expected to be provided by the present Congress. Legislation for local cooperation is needed, but care should be taken that the gate is not left open for excessive costs.

County courts are now required under Section 44-201, Oregon Code, to levy annually a road tax of not less than one mill nor more than ten. This should be changed to permit the courts to levy a road tax of not to exceed ten mills.

The practice in gold dredging of sluicing away fertile topsoil and leaving in wake of the operations piles of gravel is a fit subject for the legislative inquiry. The destruction of rich alluvial lands will be an enduring loss to the state, regardless of the compensation to the present landowner. The assembly may very properly study question and ascertain what regulation, if any, is practiced in other states or is needed here. I have no desire to cripple the mining industry; but the state must protect its interest in the land which must support future generations.

Salaries of county officials show hopeless inequalities. It ought to be possible to work out a salary schedule based on population and wealth of the several counties, protecting incumbent officials against any reduction in their present salaries. I do not like the present practice of special enactments favoring particular officials.

The terms of most of the administrative officers of the state under appointment by the governor are for four years. These terms should be made to extend to a date coincident with or shortly subsequent to the date for the beginning of the governor's term. This will permit the incoming governor to organize his staff of department heads without the necessity of making removals.

The 1935 special session created a milk board and a bakery board, the former with strict price-fixing powers. While the administration of the milk board law has led to considerable public criticism it is my belief that some form of control is needed at least in the principal consuming centers.

The bakery board is a sort of stepchild of the NRA. It is really a trade association which got under the tent of the law. It imposes regulations and encourages price stabilization and during its life prices of bakery products have been extremely rigid in spite of declining costs of ingredients. Unless the state is prepared to authorize similar codes for all other lines of business I see no reason why this industry should be given special favor. Therefore, I recommend that the board be abolished.

The commission appointed to provide for Oregon's participation at the fairs in San Francisco and New York in 1939 abandoned representation at New York. It asks for some additional appropriations to enable it to make a creditable showing at San Francisco. I approve of this request within reasonable limits. Let Oregon join heartily with its neighbor state of California in making the exposition at Treasure Island properly present the attractions and resources of the great Pacific Coast.

The state planning board has made numerous valuable studies during the biennium. I urge legislators and public officials and citizens to make more liberal use of its reports and its services. I recommend continuance of the work of the board though I may recommend some changes in its organization.

The practice, now optional with county relief committees, of requiring recipients of old-age assistance to deed or mortgage their homes to the relief administration meets with serious objection from the old people. I recommend that the law be changed to eliminate this requirement, providing, however, that contributions made by the relief committee shall stand as a preferred claim after the death of the recipients.

The state and civil subdivisions and schools for the most part make no provision for retirement annuities for their employees, though that is now a requirement of industry. Government should not be a laggard in this regard, and steps should be taken soon to establish some pension system for public servants.

This concludes the specific recommendations I have to offer in conformity with the constitutional duty of the governor to “give the legislative assembly information touching the condition of the state, and recommend such measures as he shall judge to be expedient.” I have tried to be frank and forthright. These ideas and recommendations are submitted to you for consideration on their merits.

NEW STATE CAPITOL

The new state capitol is finished, except for the landscaping of the grounds, and within a short time the new library and office building across the plaza and the new heating plant will be ready for use. This will conclude the present responsibilities of the state capitol reconstruction commission. As I anticipate no new construction within the capitol group during the biennium the commission should terminate its existence and file its records with the secretary of state.

At this point I wish to pay tribute to the members of the commission for the great contribution they have made to the state in carrying forward their task. It has been one of great difficulty, because of the limitations of funds and of ground area. The new buildings and the capitol plan are the best testimony of the success of the commission’s labors. Worthy of note too is the fact that the work has been done without taint of corruption and without waste and extravagance. May I suggest that it would be fitting for the legislature by appropriate resolution to express the gratitude of the state to the members of the commission for their faithful and honorable work.

I take personal pride in being the first governor to be inaugurated in this new capitol. I know that you take similar pride in being members of the first legislative assembly to hold its session in these comfortable and beautiful chambers.

The building is different from the old capitol; its lines and its interior still seem a bit strange. But it is a structure noble in design, capably constructed and splendidly embellished. High praise is due the architects, the supervisors, the contractor and the workmen and artists who have created this capitol; and the thanks of the state are due also to the federal government and the Public Works Administration for their contribution and cooperation. This building stands as a fit symbol for Oregon. Its solid bulk and sturdy construction are typical of the substantial character of the state. Its simplicity in line and the practical plan for the interior reflect the modesty and thrift of our people. Its capture of the modern note in the unique central mass, topped by the heroic figure of a pioneer, is a sign of willingness to adventure which ought to animate those in responsible leadership today.

God grant that we who labor within these marble walls may perform as conscientiously and as worthily as the artists and artisans who have fashioned and reared this magnificent edifice.

Governor's Unemployment Message, 1939

Source: STATE OF OREGON GOVERNORS' MESSAGES TO LEGISLATURE

To the Honorable President and Members of the Senate and To the Honorable Speaker and Members of the House of Representatives of the Fortieth Legislative Assembly:

Following the enactment by the people at the last election of the initiative measure regulating picketing and defining labor disputes, Oregon’s Unemployment Compensation Law was challenged before the Federal Social Security Board as being out of conformity with the requirements of the Federal Act, the assertion being made that the new definition given to the term “labor dispute” in the initiated law impaired the definition in the Unemployment Compensation statute. Representatives of the State of Oregon appeared at a hearing before the Social Security Board in Washington, D.C., on December 19, 1938. While the Board has rendered no decision holding that the Oregon law is out of conformity with the Federal law, it has through

agents indicated that grave doubts exist over the sufficiency of the Oregon statute. The effect of a ruling that the Oregon law fails to conform with the Federal law would be to expose employers in this state to an additional Federal tax of two and seven tenths (2.7) per cent on payrolls for the year 1938 (which additional tax would amount to between five and six million dollars); and would deprive unemployed workers in Oregon of all benefits under the Act since the funds heretofore raised are deposited in trust in the Federal Treasury and under the present state of the law can be used only for the payment of benefits. However, such fund could not be paid to the worker for the reason that Federal grants for administrative expenses would be shut off and the administrative agency could not function.

It seems to me wise that Oregon should move to remove doubts as to the conformity of its Unemployment Compensation law and that any defect which may now exist may be cured through the re-enactment of the appropriate section of the Unemployment Compensation Law. I am, therefore, submitting to the Legislative Assembly for attention and consideration a bill which is intended to accomplish this result. I wish to make it clear that the legislation here suggested would not in any way affect the validity of the operation of the initiative bill passed by the voters of this State on November 8, 1938, and to assure you that by this message I have no intention or desire to amend, nor am I in any way suggesting amending or otherwise affecting the law recently enacted by the people of this State.

I believe that the remedy that I propose will be adequate because I regard the Federal Act as a Social Security Act and not a labor dispute act. I think officials in Washington and legislators and citizens in Oregon should keep in mind the purpose of the Unemployment Compensation Law, which is to provide a flow of money to workers who lose their jobs. This flow amounted to approximately six million dollars (\$6,000,000.000) in the year 1938. I am anxious that there be no interruption of this flow, the supply of which has been and is being furnished by the employers of this state.

If any groups or citizens are disposed to interfere with the enactment of this simple remedial legislation or with its certification by the Federal Social Security Board, the responsibility will be on them and not on me for the denial of benefits to unemployed workers in Oregon.

Having clearly stated my position and my recommendations, I urge you to give favorable and early consideration to the passage of this bill, the text of which has been drawn by the attorney for the Oregon Unemployment Compensation Commission.

Respectfully

Charles A. Sprague,
Governor
January 16, 1939

Governor's Message, 1941

Source: MESSAGE Of CHARLES A. SPRAGUE Governor of Oregon To the Forty-First Legislative Assembly 1941

Mr. President, Mr. Speaker, and Members of the Assembly:

This Forty-first Legislative Assembly of Oregon convenes at a time when the situation in world affairs is ominous. Since the close of the previous Assembly, war has engulfed most of the nations of the Old World. Aggressor states have set out to establish a "new order", an order based on force used not only to defeat but to crush its foes, an order frankly hostile to the conception of free government long cherished as the highest goal in political organization.

To date the United States has not become involved in this war; but the turn of events within the past sixteen months has shaken us from an attitude of complacent detachment to one of deep concern. The emotion of sympathy with the democratic nations of Europe gave place to stark fear, when, with the conquest of Denmark, Norway, The Netherlands, Belgium, and much of France, it was realized that our own political and economic security would be seriously endangered with the triumph of Nazi Germany. The foreign policy of this country was, therefore, directed towards accelerated aid for Great Britain and preparation of an adequate defense of our own lands and interests. This policy, formulated by President Franklin D. Roosevelt, has been approved by the great majority of the citizens of the country.

In the Far East warfare continues between the great nations of Japan and China, a fact of concern to this country and particularly to the states fronting the Pacific ocean. The United States has long enjoyed friendly relations with both these great powers. It has observed with pride the emergence of the peoples of both countries from the seclusion which insulated them for centuries. It is disturbed, however, over Japan's aggression in China, both because of its threat to China's continuance as an independent nation and because of its threat to legitimate American interests in the Orient, and remotely to this side of the Pacific as well. Desirous as we are of maintaining friendly relations with Japan, we cannot ignore its alliance with Germany and Italy which is pointed at the United States. Our national policy, therefore, should continue to be one of aid to China and economic restraint to Japan. I hope our government will give more emphasis to both these lines of effort. I refer to the oriental situation because we of the Pacific Coast are deeply interested in an early and proper peace in the Far East. There is for us far more promise of expansion of commerce and cultural relations with the Orient than there is with South America. Our national government ought not to become so fully engrossed in pursuing its policies with respect to Europe and Latin America that it will neglect its obligations regarding Eastern Asia.

At the present time the national effort is directed toward increasing production of modern weapons of warfare and the enrollment and training of men in military service. This must be a major undertaking, absorbing the energies and the means of the people in order to provide security for ourselves and curbs against revolutionary aggressors. I am proud to report to you that Oregon has responded in full measure to every appeal for cooperation made by the national government. In the fall of 1939 the war department ordered an expansion of enrollment of the National Guard. Oregon was the first state to complete its quota of 913 men. Intensified drill was required of the Guard during the winter and last summer the customary ten-day encampment was extended to three weeks of divisional maneuvers at Camp Murray, Washington. In September the entire Oregon National Guard—4,532 officers and men—was ordered into federal service for a year of training. These men were among the first state troops to be mobilized, and are now stationed at Camp Murray and at Camp Clatsop, Oregon.

With the enactment of the Selective Service and Training Act, I was called upon by the President to organize the administration of the Act in this state. In anticipation of the passage of the law, preparation for its application had been made in the office of the adjutant general. When presidential authority came, I designated Lieutenant Colonel Elmer V. Wooten of the state staff as Director of the Selective Service Administration for Oregon. The necessary machinery for applying the law was promptly set up. Through the assistance of county officials and volunteer citizens over the state the registration of men under the Act took place on October 16; and the initial quotas have been filled.

Recognizing that preparedness calls for economic mobilization as well as military, this state, through its Employment Service, has conducted a labor inventory, obtaining a list of men skilled in selected trades which may be needed in defense industries. This census shows that Oregon has a sizable reservoir of workmen available for these occupations.

Oregon has been called on to supply needed materials such as lumber for cantonments, parts for airplanes, vessels and supplies for the United States Navy, and woolen goods for the Army. Additional demands will undoubtedly be made. I hope through the inventory of labor and of manufacturing facilities to increase the state's participation in this vast industrial undertaking.

My policy as Governor of the state has been to meet cheerfully and fully all the calls of the national government. At the same time I have sought to avoid hysteria and to keep our people at work. I have utilized existing agencies of government, but have felt free to call on citizens for special assistance when that was required. The ordering out of the National Guard has deprived the state of any local military body subject to my call in event of local emergency. I have relied on the regular civil law enforcement agencies to maintain the authority of government, and shall continue to do so. It is conceivable, thought, that in case of our involvement in war conditions may arise in which a state guard would be needed for local duty. Such an organization for local defense is approved by federal law. I have had prepared a plan for such an organization, which is ready for immediate use. While I believe the present law gives the Governor sufficient authority to enroll a state guard, I recommend passage of an Act making definite the Governor's power in this respect. I assure you that that power will not be abused.

We in Oregon must play our part in support of our country's interest and in support of the national policy which has been laid down by our government. We must be prepared to make whatever sacrifices may be required, whether of men or of materials for war. I urge that all citizens rally loyally in unity of purpose for the common defense.

POWERS OF STATES

In the field of political relations between the states and the federal government, I have to report the continued invasion of the power of the states until the unique federal character of our government has been virtually destroyed. We are now a national state. The states are reduced to administrative units with greatly diminished powers of legislation.

Within the biennium, decisions of the United States supreme court denying to states the power to regulate picketing and asserting full federal authority over waters of non-navigable streams, quite in line with the recent trend, mark the further transfer of power from states to the national government. We have also experienced the constant pressure of federal administrative agencies to dictate in the field of federal-state cooperation. Hereafter public opinion, not the courts, will be the only effective brake on national aggression in the area of local government.

I recognize the national character of many of the problems of our modern life; but I fear the progressive centralization of authority may end the erection of a bureaucracy unresponsive to popular will. I feel, however, that the best way for the states to preserve dignity and authority is for the states, within their field, to do a superior job of legislation and administration, and thus justify their existence by their merits.

ECONOMIC CONDITION OF OREGON

Two years ago in my inaugural message I stated that Oregon's most pressing problem was economic: "to increase the income of the people and provide for its fair distribution". That these objects might be attained I have consistently sought to encourage business enterprise and to maintain orderly relations in industry. The results are gratifying.

The immediate need was fuller employment. I moved first to reorganize the Employment Service to make it function actively an agency location jobs for workers. With the full cooperation of employers and of labor organizations the Service has operated with increasing success. Job placements, which totaled 70,515 in 1938, rose to 172,107 in 1940, an increase of 145 per cent. Additional evidence of fuller employment is seen in other official reports. Pay rolls as reported to the State Industrial Accident Commission increased from \$134,903,128 for the first eleven months 1938 to \$154,468,704 for the same period in 1940, a gain of 15 per cent. The Unemployment Compensation Commission reports that benefits paid on account of unemployment declined from \$4,539,000 the first eleven months of 1938 to \$3,892,000 for the same

months of 1940, a drop of 14 per cent. These figures show a substantially increased income, widely distributed, for Oregon workers.

Oregon's industries have enjoyed steady operation during the biennium. This state has now reached first rank in volume of its lumber production. Paper and pulp mills have been running at maximum capacity. Six new plywood plants have been established in Oregon. Three new chemical plants have come to Portland to use energy from the Bonneville power plant. Under the stimulus of defense orders, shipbuilding on the Willamette river is being revived.

Mining in Oregon has reached new peaks of production, the increase coming chiefly in gold and mercury.

Fisheries have operated at fair volume of production and new specialized products are increasing the wealth derived from this source. It is hoped that further development will follow from research at the new fisheries laboratory at Astoria.

Results in agriculture have been mixed the past two seasons. Wheat, fresh and dried fruits, which are important items of production, have suffered because the wars have cut off export markets. On the other hand, rising prices have aided producers of beef, wool, dairy products, canned frozen fruits and vegetables. There had been a marked expansion of seed production here; and flax plants are running at full capacity, unable to meet the demands for fiber.

To survey the economic needs of the state, I appointed the Oregon Economic Council, composed of twenty-two men, representing various occupational and public interests, with Hon. E.B. MacNaughton of Portland as chairman. The Council has had committees at work for some months studying special problems; and I believe it will make an important contribution to the state's development. The state has also been represented on the Pacific Northwest Regional Planning Council.

While the current economic condition in Oregon represents distinct improvement, with the largest level of employment and the highest business profits in a decade, this situation is by no means stable. Part of the present prosperity is due to liberal federal expenditures for rearmament; part is due to the rapid consumption of exhaustible resources. We need, therefore, as individuals and as a state to plan ahead if we hope to maintain the present levels of prosperity.

FINANCIAL AFFAIRS

The condition of the state's finances is fully reviewed in my message accompanying the biennial budget, copies of which have been furnished you. Citizens of the state may well be proud of its showing. In the biennium just ended, the bonded indebtedness of the state has decreased from \$42,791,935 to \$35,181,385, with corresponding decreases in indebtedness of subordinate units of government. The state general fund has had ample cash balances at all times. Receipts from state income and excise taxes and from other sources have made a state tax levy on real property unnecessary for the current year.

In order to avoid a threatened deficit, I directed the budget office to scale down expenditures of state departments and institutions by approximately seven per cent of the authorized appropriations. Through the cooperation of department heads the resulting savings amounted to \$703,640, which brought the income and outgo of the state into balance for the biennium.

The budget for the 1941-1943 biennium is balanced with a very narrow margin of surplus. There must be no extravagance in appropriating state funds, or this balance will be wiped out. A state has only limited credit; it must live within its means. Any substantial increase in appropriations must be accompanied by provision for added revenues.

I would remind you that the cost of national rearmament will be enormous, and that the federal government must impose heavy additional taxes upon the people. We should recognize a priority of claims for this cause and hence the state should avoid increasing the tax burdens of our people. I hope the legislature will not devote valuable time in trying to uncover new sources of revenue, but that it will seek to apportion wisely the revenues now furnished under the existing tax structure.

PUBLIC WELFARE

In the past, expenditures for public assistance in excess of cash available for the purpose have been financed by issuing anticipation certificates on liquor revenues. Soon after taking office I saw that if this continued the outlay for public welfare might pile up an embarrassing indebtedness. Thus, while the total state appropriations for public welfare in the past biennium amounted to \$9,260,000 the actual cash available for this expenditure was \$8,500,000, less \$700,000 in liquor certificates outstanding at the close of 1938. It was deemed prudent, therefore, to bring expenditures in line with actual cash receipts for this fund. This has not been fully accomplished, but the amount of anticipation certificates has been reduced to \$93,000 outstanding at the end of 1940.

The food stamp plan for distributing surplus foodstuffs to needy families has been introduced and extended to twenty-six counties. It is proving a practical means of relief, and helps to expend the market for farm products.

Oregon has not been ungenerous in its treatment of those needing aid. The total expenditures for this purpose amounted to \$14,847,000 during the 1937-1938 biennium. This total was increased to approximately \$18,849,000 during 1939-1940. The new budget provides a fund of \$21,690,000 for the next biennium. I realize that when a sum even this large is broken and distributed among some 60,000 persons the amounts available for individuals are often quite meager. But I do not see how we can devote a greater proportion of aggregate revenues to public assistance than the amount set up in budget submitted.

The State Public Welfare Commission has only minor changes to recommend in the public laws. A recent federal Act has increased the maximum federal allowance for old-age assistance from \$15 to \$20 a month. I recommend that the state law be changed, removing the maximum limit but leaving payments on a matching basis in the present ratio of federal, state and county funds. It is understood, of course, that the amount of assistance actually paid will depend on the sum of money provided. The responsibility will rest with the state and county public welfare commissions, as in practice it does now, for the wise distribution of the funds.

STATE INSTITUTIONS

The state maintains and operates twelve charitable, penal and eleemosynary institutions. Their inmates, whose average number rose during the biennium from 6,751 to 7,118, are peculiarly the wards of the state. All but one are under the direct administration of the State Board of Control, which is keenly sensitive to its responsibility in their management. Because the inmates do come from all sections of the state, there is wide public interest in the way they are managed. Where that interest leads to vigilance in supervision, it is helpful. But sometimes that interest is preyed upon by critics who are ill-informed or prejudiced or actuated by petty grievance; and then the results may be damaging. Oregon has been rather fortunate in this regard. I think this is largely due to the fact that these institutions have been kept reasonably free from political manipulation; and because succeeding Boards of Control have sought faithfully to operate them in the interests of the wards and of the state. Members of the Legislature are invited to visit any of the institutions and observe conditions for themselves. I believe that, on the whole, you will feel proud of the care given and the results accomplished.

During the depression years of the early '30s, outlays for physical plants at the institution were greatly restricted; but in the past several years more money has been provided for capital outlay and many of the

institutions have used federal work programs to advantage. It is true that needs are evident in nearly all the institutions and critical in some, but for the most part Oregon's state institutions are reasonably adequate and well maintained.

For the orderly improvement of the several institutions, a building program has been prepared for the State Board of Control by consultants of the National Resources Planning Board, whose services were offered the state. A preliminary draft of the program appears in the volume of the budget, and the final draft will be published and furnished you. The schedule adopted is within the budget limitations of the next three bienniums, both as to capital investment and subsequent operating cost.

Seeing the need for closer coordination of the business and farming operations of the institutions, the Board of Control created the position of business supervisor in the office of the secretary of the Board and assigned a competent man to the position. The results already shown justify the appointment. Based on the study made by the business supervisor, the Board recommends the acquisition of a large tract of river-bottom land near Salem for the growing of food crops for the State Hospital for the Insane, which will make unnecessary the present dependence on leased lands.

The most pressing need for plant improvement is at the State Hospital in Salem, where the overcrowding is deplorable. Deciding to obtain outside counsel for formulating plans for development, the Board of Control invited the United States Public Health Service to make an inspection of our mental hospitals. Dr. Samuel Hamilton was assigned to make the investigation and his report will soon be available. A committee of the Oregon Mental Hygiene Society has also studied the state's needs for proper care of the mentally ill and submitted a comprehensive report.

I would summarize the needs of the State Hospital in Salem as follows: First a new hospital unit, and the proposed budget allowed \$325,000 for a 300-bed hospital. Second, replacement or reconstruction of present wards and administration unit at the main hospital and erection of new dormitories at Cottage Farm. Third, increase in number of persons on the professional staff and of attendants. Fourth, revision of laws covering commitments to the hospital, relieving it of the care of elderly people who are not really mental cases. They can be cared for outside of the institution with old-age assistance provided in case of need. To insure proper treatment of old people who are cared for in private, commercial homes, the Public Welfare Commission should have jurisdiction over such homes, such as it has over commercial boarding homes for children.

There is one urgent need for most of the institutions and that is a reduction in the length of the working day for employees; also allowance for employees' outside maintenance. The Board of Control favors these changes. The additional costs entailed are reported in the budget and I hope the legislative committees can find a way to finance the extra burden.

STATE LAND BOARD

The conditions of the state irreducible common school fund is the best it has been for many years. The system of making farm loans only after careful appraisal by the Board's own experienced appraisers has worked out well. All new loans require the regular annual amortization of principal. During the biennium the investment in mortgage loans in good standing increased 12.6 per cent; bond investments 4.8 per cent. The decrease in mortgages delinquent amounted to 30.2 per cent, and in mortgages being foreclosed to 43.8 per cent. There was a further sale of foreclosed property, so this account showed a decrease of 12.0 per cent.

While the investments are in sound condition, the income has decreased because of the falling off in payments of delinquent interest and the reduction in interest rates of new investments. The State Land Board is of the opinion that certain shifts could be made which would with safety increase the income of the common school fund.

There is urgent need for an additional building in the capitol group in Salem. Large departments like the Public Utilities Commissioner and the Unemployment Compensation Commission occupy rented quarters. The latter is under criticism from the Federal Social Security Board because it has no fireproof vaults at its quarters for protection of irreplaceable records. At present, market prices of bonds held in the school fund show a substantial enhancement in value. The Land Board believes it would be wise to sell about one million dollars' worth of the bonds, thus realizing its profits, and reinvest the proceeds in a new state office building on block 85, opposite the new state library. The building would be occupied by self-sustaining departments on a rental basis to yield three and one-half per cent interest to the school fund and amortize the investment over a term of years. The previous experience of the state in erecting an office building through investment of funds of the State Industrial Accident Commission proved highly satisfactory for the Commission and a valuable improvement for the state. Use of the state school fund is recommended now because it is adapted for long-time investment with no need of sudden realization of principal as might be true of the funds of the Industrial Accident Commission.

Another source of increased income for the common school fund would be loans on improved urban property. This would call for an amendment of the present law covering eligible investments. The basis for this suggestion is the experience of the World War Veterans' State Aid Commission where the record of repayments of urban loans and sale of foreclosed property is very much better than for farm loans. The Land Board submits this as a recommendation for the careful consideration of the Legislature.

In the past two years the Land Board reopened for study the subject of administering the state-owned grazing lands amounting to about three-quarters of a million acres of land in Eastern Oregon. The counsel of school leaders and of representatives of stockmen and of men in state and federal service was sought. The Board has determined on a general policy under which it hopes to increase the income from these lands. The lands will be leased in blocks of varying sizes to stockmen or associations of stockmen, first under an exchange-of-use plan; later, if the trial justified, on a long-term basis. The Board has engaged Mr. Marvin Klemme of Burns, formerly with the Federal Grazing Service, to supervise the blocking and leasing of these lands for the state.

HIGHWAYS

The State Highway Commission has functioned under its present type of organization for a period of twenty-three years. In that time there has been expended approximately \$250,000,000 on the state highway system for construction and maintenance. The state is now very effectively served with a system of hard-surfaced roads. Of the 4,782 miles in the primary system 4,211 miles are paved or oiled, 330 miles are rock-surfaced. The secondary roads total 2,348 miles, of which 962 miles are paved or oiled, 794 rock surfaced.

While the initial task of construction and surfacing is now pretty well completed, there is pressing demand for reconstruction of roads now regarded as antiquated. In the last decade there has been a great improvement in engineering standards so that roads built or rebuilt in that period are strictly modern, able to carry safely and expeditiously the increasing vehicular traffic.

The utilization of this fine highway system by operators of commercial trucks and stages creates an important economic problem. Railways, which once enjoyed a monopoly of land transportation, now face sharp competition from vehicles which use the public highways. This complicates regulation of freight rates which once was safely based on the assumption of railway monopoly. In the last biennium this issue became acute in the matter of petroleum rates between tidewater termini and the interior. With three carriers—railways, motor trucks and water barges—competing for the business, both the Interstate Commerce Commission and the Public Utilities Commissioner of Oregon found the questions involved difficult of solution on the conventional basis of regulation. The public will have to decide whether it wants rates to be determined by competition or by regulation. Whichever method is adopted should apply to all types of

transportation fairly. It is unjust to restrain one form of transportation by regulation and then allow a competing form to operate without restraint.

This competition is felt in the writing of laws covering truck operation, where trucks and railroads have battled over such matters as the dimensions of trucks allowed to run on highways. The railroads protest that while they maintain and pay taxes on their own rights-of-way as well as taxes on other property the public provides highways used by motor trucks.

If we break apart this problem I think we may find a reasonable solution. It seems to me that the determining factor as to the size of trucks should be the safe carrying capacity of the highways. The state has made large investment in its highway system; the principal roads have been greatly improved in recent years by widening, reducing of curvatures, lowering of grades, and strengthening of the surface. These roads are able to handle a larger volume of traffic. That is what they were built for. They can also carry commercial vehicles of larger capacity with safety to other highway users and without injury to roads. I approve of a proposal of the Highway Commission to allow the operation of trucks of larger dimensions than at present, on roads where, in the judgment of the Commission, they can operate with safety. We should realize that there are great areas in the state where the principal or only means of freight transport is the highway and motor truck. To restrict unduly the carriers operating there, simply means to deprive the residents of those communities of the full benefits of the highway system.

There ought to be, however, an equalization of the tax burden between railroads and commercial motor vehicles. The state should show no favors or impose no penalties in its treatment of the two types of transportation. I call your attention to the fact that commercial truck and stage operators escape all contribution to the support of general government except what they may pay as state excise or income tax or on terminal properties. The taxes they pay—motor license fees, gasoline taxes, earning taxes—all go to the highway fund for use in building improved roads on which they may operate. I see no reason why these commercial operators should not pay taxes to the support of general government. This could be accomplished either by imposing an additional tax on operations of commercial vehicles or by the capture of all or part of the present earnings tax which amounts to over one million dollars a year. There should be no change in the allocation of proceeds of the tax on gasoline.

The transport of logs from the woods to mills is being done in growing proportion by motor truck. This has created hazards, not only to the other users of highways but also to the men engaged in this occupation. To meet the problems that have arisen, a committee from the state departments concerned with administration in this field has drafted a code to govern the truck movement of logs. A more rigid system of inspection will be imposed, which it is believed will contribute greatly to highway protection and public safety.

In this connection new legislation is needed to make clear the authority of the State Highway Commission in regulating the transport of logs and piling, particularly to permit the hauling of long logs under regulation. I recommend to you the bill which the Commission has had drafted on this subject.

UNEMPLOYMENT COMPENSATION

The unemployment compensation law has imposed payroll taxes for five years and benefits have been paid the past three. This was a new field of government endeavor for this country. A new organization was required which had to pioneer in establishing its procedures. The breaking-in period is now pretty well concluded and the administration is functioning with creditable efficiency at the present time.

The interpretation and application of the unemployment compensation law frequently leads to sharp controversy. The stakes are high, and initial rulings may serve as controlling decisions for a long time. Out of the clash of interest of contributors to and beneficiaries of the fund, will come proposals for changes in the

law. It is your duty to study carefully the changes demanded, keeping the group interest subordinate to the broad public purpose intended to be served by the Act.

On the much-debated question of "experience rating", I recommend that this provision in the law should be allowed to stand and be put to the test of experience. It was part of the original enactment, conforms with the federal law, and has been adopted in principle by some forty states and territories. If, after trial, errors are manifest, future legislatures may take the required steps to correct them.

WORKMEN'S ACCIDENT COMPENSATION

I have previously transmitted to members of the Assembly reports from the interim committee appointed by me in conformity with a resolution of the last Legislative Assembly to injured workmen. The time is at hand for an overhaul of these laws. While the accident fund has remained solvent through years of war and depression, the margin is very thin and on strict accounting of liabilities, non-existent.

The State Industrial Accident Commission operates under some inherent difficulties. Its liability is automatic unless the employer has definitely rejected the Act either to carry his own risk or to take out private insurance. The private insurance company can select its own risks and requires payment of premium in advance. The state cannot sort its risks and has not been able to collect its premiums in advance, with resulting losses to the fund. If private insurers could offer universal coverage at satisfactory rates and benefits, one might be tempted to turn all the business over to private companies. For a variety of reasons this is not feasible. Accordingly, I favor an exclusive state system of accident insurance. This will not of itself solve all the problems; but I do not believe the other reforms proposed will prove adequate alone.

The interim committee recommends creation of the office of manager as administrative head of the department. I prefer the type of organization adopted in the Unemployment Compensation Commission where the administrator is the executive but is subordinate to the Commission. There is general agreement that the Commission should be relieved of responsibility for administrative detail, with that duty assigned to a single, qualified person.

A new safety code is the unanimous recommendation of the interim committee. Accident prevention offers one hope of reducing the drain on the compensation funds. I heartily endorse the objectives of the proposed code and accept the recommendation of the interim committee that the administration be consolidated under the Industrial Accident Commission.

The financial position of the fund will be strengthened by adoption of bills providing for minimum fees and making collections more certain.

The proposal to abolish trial by jury on appeals from Commission awards has opened an old controversy. The importance of jury trials both to workers and to the fund has been considerably exaggerated. I am impressed, however, with the comment of Chairman Victor P. Morris of the interim committee, who says in his report:

"At the present time only four states in the Union permit jury trials on matters of fact in connection with their accident compensation laws. The weight of authority and of experience support the proposal to eliminate the right of trial by jury and the attendant inroads upon compensation funds".

We are concerned to see that awards are fairly made, because the state holds the fund as trustee. I believe a method of appeal could be provided which would insure a greater degree of justice to claimants and contributors than the present method of jury trial.

For many years representatives of workers have urged an increase in the schedule of benefits paid on accident claims, point out that the present scale was adopted a quarter of a century ago when wage rates and living costs were much lower. It is true that compensation for permanent disability and to dependents is definitely inadequate. This is not true of claims for temporary time-loss because awards there follow the trend of wage rates which have been steadily upward since the fund was created. Payments for medical and hospital care also show constant and burdensome increases. I am favorable to adoption of a higher scale of awards in the fixed categories, but I warn you that such increases cannot be ordered unless adequate revenues are in sight to meet the cost.

I do not have time to discuss other recommendations, both of the majority and the minority of the committee. I regard this subject of workmen's compensation as one of the most important to come before this body. I urge you to work out permanent solutions to the problems involved. It will be a serious disappointment to me and to the state if the conflicting pressures of the chief parties at interest—employers and workers—merely result in a legislative stalemate.

FORESTRY

Forests rank next to agriculture as the principal economic resource of Oregon. The rapid increase in cutting of virgin forests, while giving the flush of immediate prosperity, means a shortening of the life of this great asset. The spectacle of an exhausted economy in the cutover lands of northern Wisconsin and Michigan and of portions of our own state has alarmed the people of Oregon into action to conserve and to renew our forest resources. At my request a committee of the Oregon Economic Council, headed by Hon. Robert W. Sawyer of Bend, has undertaken to outline a constructive and, at the same time, practical plan for immediate application in Oregon.

The specific legislation proposed has for the most part been reviewed and approved by the State Board of Forestry and by representatives of the timber industry. The bills seek to protect existing forests by means of stricter regulation and for fire prevention and suppression, to enforce minimum standards in forest practices to allow for natural reforestation, and to facilitate acquisition of cutover lands for growth of new forests. I strongly urge favorable action on these bills, which present a comprehensive program in forest conservation.

The last legislature authorized the State Board of Forestry to acquire from the counties logged-off lands and to maintain them as state forests. A beginning has been made under this Act. A total of 72,483 acres of forest lands have been taken over, located in eight counties. The forestry department plans to administer the lands carefully, seeing they are restocked and protected against fire so they may become permanently productive.

This forest problem is one of acute importance, and delay in action will be damaging to the future of Oregon. There must be sincere cooperation among all interests, the federal, state, and county governments and private owners of timber. By adoption of progressive policies now, we may successfully bridge the transition period from the "cut and get out" practice of the past to a stable economy based on sustained production in the future.

EDUCATION

The 1939 Act for reorganization of school districts was barren of direct results, but it did stimulate voluntary consolidation of school districts in many counties. The need for better equalization of school taxes remains. While Oregon professes to take pride in its education system, actually it makes inadequate financial provision all along the line from the elementary schools to the higher institutions of learning.

The State System of Higher Education has worked under difficulty because in the past decade enrollment has increased much more rapidly than appropriations for support of the institutions. Unified administration of the system has been in effect now nearly twelve years and has won for itself general public approval.

A serious deficiency in our school system is in vocational education. Definite occupational training is needed under modern conditions of industry and agriculture. A beginning has been made, but there is need for genuine vocational schools of below-college level located at strategic centers over the state. Educational leaders have agreed on a measure to expand vocational education. This has been approved by the State Board for vocational Education and will be submitted to the Assembly.

PAROLES

The new organization governing parole and probation, established by the last Legislature, has functioned with distinct success. Cases of all inmates of the penitentiary have been reviewed. Due to careful selection of parolees and their supervision after release, the percentage of revocations has declined. The population of the penitentiary has also declined, due in part to the work of the parole department.

I strongly urge that the constitution of the state be amended to permit the restoration of the right to vote to persons who have performed their period of penal servitude, without the necessity of issuing a full pardon by the Governor, as is required at present.

A report will later be filed with your honorable body, reviewing, as required by the constitution, the cases of extension of executive clemency during the biennium.

LIQUOR ADMINISTRATION

By overwhelming vote the people of Oregon at the last election rejected a measure to overturn the existing system of state control of the liquor traffic. I recognize this as a general endorsement of the plan and of its administration. The Liquor Control Commission has labored faithfully to manage the system strictly but fairly. From the business side its operations have yielded increasing returns to the state.

The Commission is submitting no recommendations for amendment of the present act.

LABOR RELATIONS

Peace in industry has generally prevailed during the past biennium. Few disputes went to the point of strike or lockout. The efforts of the Executive and of the State Labor Commissioner have been directed toward conciliation of differences. I compliment employers and workers on the more friendly attitude displayed in negotiations over conditions of employment. There is increasing use of contracts with labor organizations and a better disposition to live up to contracts that have been agreed to.

The federal government has now largely assumed control of labor relations through the Wagner Act, creating the National Labor Relations Board, the Wages-and-Hours Act, and through court decisions validating the extension of federal authority. The power of the state does not appear to go much beyond efforts at mediation and local policing. If the states are denied power to legislate in this area, they are thus freed of responsibility. Only time will tell whether we can safely rely on Washington for justice and security in labor relations. At any rate, I recommend no labor legislation at this session.

GAME MANAGEMENT

A very large number of people are interested in hunting and fishing. They are often vocal, frequently divided in their counsels and sometimes intolerant of opposing opinion. Consequently, the Game Commission does not have an easy task in performing its duties. These duties are becoming increasingly those of game management and not merely of law enforcement. Our Commission is endeavoring to work out plans for conservation of fish and game resources on the basis of its scientific observation. Progress in this work is naturally slow. I believe if our sportsmen will be patient that the policies now being pursued will yield gratifying results.

The Game Commission should be given full power to fix seasons and bag limits in fishing and hunting. This will remove vexing and sometimes trivial questions from absorbing the time of the legislature, and enable a competent authority to adjust limits according to the varying conditions in this state. This action is strongly supported by the Oregon Wildlife Federation and by representative sportsmen.

PUBLIC UTILITIES

The Public Utilities Commissioner has been diligent in protecting the interests of users of utility services. His department has been alert to press for reductions in rates, the savings to customers through reductions in electric rates in 1940 alone amounting to \$1,517,000.

Six new districts were established under the People's Utility District law during the biennium and nine proposed districts were voted down. To date eleven districts have been created and two have voted bonds to finance acquisition or construction of an electric distribution system. Undoubtedly the availability of energy from the federal power project at Bonneville has stimulated interest in public ownership. Private companies serving the territory have been aggressive in rate reductions and line extensions in an effort to preserve their field for private operation.

Observing the financing of public utility districts in Washington, I am convinced of the soundness of the Oregon requirement that bonds be sold only at public sale. I do, however, recommend an amendment which would permit sale by negotiation of utility district bonds to the federal government or a wholly-owned agency of the government. This would be necessary in case a group of districts took over an entire system with financing provided by the Reconstruction Finance Corporation.

The Bonneville Administration, on my request, reviewed our People's Utility District law and made suggestions of changes which, with my comments, will be referred to appropriate committees of your body. While certain amendments would smooth out the operation of the Act, I do not propose its rewriting. Districts are being formed under the Act, and its main structure has been tested in the courts and approved.

RETIREMENT PLAN

After the last Legislature I appointed a committee to work out a plan for the retirement of public employees. This committee has studied annuity systems and prepared a plan which is entirely sound from an actuarial standpoint. I realize that there is much opposition to a retirement system for public employees; but as federal social security is extended to cover more and more groups of citizens, the state and local units of government must move to set up suitable retirement plans for their employees. I do not favor adoption of a pension system piecemeal for selected classes of public employees.

VETERANS' STATE AID COMMISSION

The Veterans' State Aid Commission is making satisfactory progress in liquidating its outstanding loans, disposing of foreclosed properties, and is meeting its bond obligations punctually.

ADDITIONAL RECOMMENDATIONS

The movement in opposition to trade barriers at state borders is growing, with the full encouragement of governors of the several states. The policy of trying to protect local industries by discriminatory laws and regulations is short-sighted and I hope will not be approved in Oregon.

Chapter 474, Oregon Laws 1939, directed administrative departments to file copies of general orders and rules with the secretary of state, who was required to provide for the publication. The experiment has not been a success because there is no demand for the publication. I recommend the repeal of the chapter.

Measures designed to improve the administration of justice, which have been prepared by national organizations of standing—the National Conference of Commissioners on Uniform Laws, the Interstate Crime Commission, the Section of Judicial Administration of the American Bar Association—in all of which Oregon has representations, will be submitted. Since these measures have been prepared by experts in particular fields and are designed to simplify practice through uniformity of text, they should receive the careful study of appropriate committees of the Assembly.

Nearly a year ago I directed heads of departments under my control to prepare well in advance of this date the measures which they desired to recommend to the Assembly. These bills have been prepared and are ready for presentation. I hope that this punctuality will assist the Assembly in expediting its work. Executive departments are ready to cooperate with the Legislature in every way possible. In the new State library the government room has been placed at your disposal with trained staff members ready to assist in reference work for legislators.

In closing this message I wish, as Governor, to report to you and to the people of Oregon, on the basis of my observation during two years as Governor, that yours is a good state government. By virtue of the ability and high character of state officials of the past, both the practices and the traditions of administration here are worthy. Misuse of public funds or property is extremely rare; there is little or no extravagance; and there is a high degree of loyalty to the public interest among all the state employees. I desire to express appreciation of the cooperation I have received from other elected and appointed officials; and wish particularly to commend my colleagues on the principal boards of the state during the past biennium—Hon. Earl Snell, secretary of state, and Hon. Walter E. Pearson, state treasurer—for their able and conscientious service.

But self-satisfaction is a sure road to dry rot and stagnation. Proud as we are of present attainments, we must continuously be alert to changes which will work for betterment. The pioneer spirit which we praise so much was one of adventure, and the willingness to originate and experiment is as vital for progress today as ever it was. You who are members of this Assembly are now in positions of leadership and responsibility. The people look to you to frame laws which will improve the structure and the operation of government, and laws under which the state may go forward to realize in fuller measure political freedom and economic security.

I hope the recommendations in this message will help point the way to sound progress for Oregon in the years ahead.

Governor's Message, 1943

Source: MESSAGE Of CHARLES A. SPRAGUE Governor of Oregon To the Forty-second Legislative Assembly 1943

The President, The Speaker and Members of the Assembly

Since the last meeting of the legislative assembly the interest and energies of public officials and private citizens have been largely absorbed by the world war, first in preparation for possible involvement, and second, after December 7th, 1941, a date of catastrophe in American history, in full-scale participation. As

governor I had the responsibility to organize and direct much of the state's activity in the war, and I desire now to report briefly on my discharge of that responsibility.

Under our plan of organization four divisions of responsibility were recognized: first, military; second, policing; third, civilian; fourth, economic. Duties were assigned existing state departments as far as possible and new machinery was set up only when necessary. Every effort has been made to articulate with federal agencies, to avoid overlapping authority, to employ local controls, and to operate economically. The pattern of administration has proven flexible and has required no extensive alteration as the war intensified.

MILITARY

The outbreak of war in the Pacific made Oregon a potential battlefield, which became real with the shelling of our soil at Fort Stevens on the night of June 21, 1942, with the dropping of bombs in Curry county in September, and the sinking of tankers off our coast in October. No casualties or damage resulted from enemy action upon or within the state.

The prime duty for defense of Oregon lies with the armed forces of the United States. I wish to report that the army, navy and coast guard have been diligent to provide that defense. Handicapped for lack of previous preparation and by the urgency of demands for men and munitions in other theatres, the forces detailed to duty here have been unremitting in vigilance. I wish to state without amplification that Oregon's defense situation is steadily improving.

I have kept in constant touch with army and navy officers commanding both in the region and within the state, and have extended through departments of state government maximum cooperation with the military forces for the successful discharge of their mission. I have likewise kept in close touch with Selective Service operations in the effort to supply the regular and heavy quotas of selectees promptly and equitably. I cannot reveal the number of men and women who have volunteered or been inducted into the military forces from Oregon; but we have every reason to feel proud of the state's showing in this regard, as well as the record being made by these Oregonians in service in various parts of the world.

On the outbreak of war I put into immediate effect plans previously drawn for the creation of a State Guard. Command was first assigned to Brigadier General Alvin C. Baker, and on his retirement due to ill health to Colonel, now Brigadier General Ralph P. Cowgill. The First Regiment was initially constituted and is composed of twelve rifle companies with necessary attached units. The Guard was further expanded by enrollment of 24 separate battalions and nine cavalry troops, the members of which furnish their own arms and uniforms. State Guard strength on November 30th last stood at 452 officers and 8374 enlisted men. Regular periods of drill and field training are held. The men are serious in purpose and industrious. While it has not been necessary to mobilize the Guard for action, it is here, ready for any emergency, though its capacity for service is limited greatly because of inadequate and presently unobtainable military equipment.

POLICING

I assigned to Charles P. Pray, superintendent of state police, responsibility for police and guard duty within the state, and by proclamation directed the cooperation of local enforcement officers with the state police. Under the wise provisions of the 1941 State Guard Act, funds were available for the expansion of the state police to take care of added policing, particularly on highways and bridges. Under this plan it was not necessary to call out the State Guard and station its men on police duty.

To date no damage has been reported due to action of enemy saboteurs.

CIVILIAN

Recognizing that modern warfare calls for virtually universal participation I established on June first, 1941, an organization for civilian defense. A state advisory defense council was named, with Ross McIntyre of Portland as chairman and Mrs. H.D. Peterson of Dallas as vice chairman. Jerrold Owen, secretary of the world war veterans' state aid commission, was made executive with the title of coordinator. County councils of defense were appointed. For the Portland metropolitan area Mayor R. Earl Riley has served by federal and state appointment as director of civilian defense.

Following organization the enrollment of volunteers for civilian war work proceeded rapidly. The number of those taking part as volunteers in various phases of civilian defense will reach into the hundreds of thousands.

The first great task was preparation for defense against enemy action, especially from airplanes. This required setting up the aircraft warning service, enrolling and training auxiliary fire and police details, planning for emergency welfare services in case of disaster, and for evacuation; training for specialized duties such as bomb disposal. Such functions are embraced under the Civilian Protection division with Mr. Jack A. Hayes, deputy state fire marshal, as director. The Protection division also has the task of carrying out directives of the Western Defense Command in such matters as dimout and blackout which call for full public cooperation.

Necessary civilian participation in other war measures has been effectively channelized through special organizations. On request of federal authorities I set up organizations for rationing, for salvage, and for transportation control. Special committees were named for recreation, child welfare, youth's activities, consumer interest, etc. These are grouped in the Civilian War Services division of Civilian Defense, with Mrs. E.W. St. Pierre as director.

This is but a skeleton report of the wide and necessarily somewhat loose organization of Civilian Defense. It is functioning successfully, and the thoroughness of the state's preparedness against disaster and the fullness of popular participation in war undertakings have won commendation.

ECONOMIC

The impact of the war on the economic life of the state has been tremendous. While some lines of enterprise have suffered, the war has resulted in a vast expansion of production and employment. The pressure on labor supply has been exhausting and thousands of workers have come to Oregon from all parts of the country.

Much of the time the executive department has been given to helping industries and communities solve their economic and social problems. Two members of my staff were assigned to this work. To avert shutdowns of industry pools of plants were encouraged and these have obtained war contracts running into tens of millions of dollars.

The public is quite familiar with our industrial expansion, especially in shipbuilding, lumbering and metal working. The startling records of speed in ship construction in Oregon shipyards have made the directing genius, Henry J. Kaiser, and the city of Portland world famous.

Though the employment service was federalized by order of the president on July 1st, 1942, the state has continued to assist in solving labor problems, now one of supply of manpower rather than lack of jobs. Crises in farm harvests called for prompt action in the way of appeals from the governor. Great crops were harvested and processed in 1941 and 1942 with a minimum of loss because the public did respond to appeals for help. A mobilization of women in early 1942, directed by Mrs. Saidie Orr Dunbar, revealed a reservoir of women available for work, thousands of whom have now been drawn into employment. The muster of youth was invaluable in providing additional labor for essential tasks.

A special bright spot is the achievement of the public schools of the state in training men and women for war industries. At last report the total number of these trainees as of December 31st last was 115,000, the largest number, on the basis of comparative population, of any state.

Another bright spot is the record of no less of production in war plants in Oregon due to labor disputes, a record reflecting giant credit on workers and management.

The toughest job ahead is to provide manpower for essential industries, the great deficiencies being in shipbuilding, lumbering and agriculture. It is hoped that the recent federal organization of manpower administration will provide a flow of workers to these enterprises, but our people must realize that so long as the war lasts they face long and hard work to sustain production vital for victory.

I cannot praise too highly the patriotic devotism of the people of Oregon as proven by their achievements in this war crisis. State and local and federal officials, the public schools, patriotic and civic organizations, newspapers, radio, churches, farmers, workers, business executives, housewives have through their loyal endeavors written a glowing chapter in the history of their state and nation.

STATE FINANCE AND TAXATION

I turn now to report on strictly state matters for the two-year period. The budget for the 1943-1945 biennium is in your hands and shows that the state's financial condition is unusually healthy. The budget shows an operating surplus of \$688,819 for the coming biennium, and an excess in receipts from income taxes of \$11,639,647 for the current biennium. However, it must be borne in mind that the war prosperity which has produced this excess is fickle, while the compounding of the state budget at the relentless six per cent per annum rate steadily increases the demands on revenues available for general state expenditure. There is perhaps greater need for conservatism in public finance in periods of prosperity than in periods of adversity.

After an adjournment of the last legislature the state tax commission handed down a decision in a long-pending case and directed the readjustment of valuations on assessment rolls for Multnomah county to comply with the law. The commission's decision was subsequently upheld by the supreme court. That decision was not only sound as to the law, but sound as to public policy. The only just criticism against the commission was its delay in announcing its decision.

There followed, however, a torrent of abuse of the commission and of the Oregon system of taxation, most of which in my judgment was wholly unjustified. The system is a product of growth, and as times change alterations will be necessary. I warn against any radical change in the general taxation plan of Oregon or in the administrative organization under which the state and counties have made great strides in the direction of equity in assessments.

INSTITUTIONS

I regret to report two serious events at state institutions. A series of three fires at flax sheds at the prison caused a loss of nearly \$200,000, and will reduce fibre production this winter. The guilty, a group of convicts, were apprehended and given additional sentences. The board of control authorized steps to reduce the fire hazard at the penitentiary, and recommends an increase in the state restoration fund from which fire losses are paid.

The new dormitory at the penitentiary annex and the new dining hall and hospital at the penitentiary have been completed and are now in use.

With real sadness I report the death of 47 patients at the state hospital and the illness of several hundred others because of accidental mixing of poison with food. The facts are well known. The incident brought freshly into focus the distressing conditions at the state hospital, referred to in my last message, and which the last legislature took initial steps to correct.

That program included adoption of a series of bills prepared by the Oregon Mental Hygiene Society, allowing for increases in number of professional workers and attendants at the hospitals and shortening of hours of work of employees.

I also submitted a six-year building program carefully prepared to meet the present and prospective needs of all the institutions and carefully balanced to stay within the state's financial capacity to build and to operate. The 1941 legislature made the necessary appropriations for the first two-year term.

War conditions have seriously interfered with our planning. Doctors and nurses have entered military service, and members of working staffs have been lost through attraction of higher wages in war industries. This situation is common to institutions in all the states. Construction of the new treatment hospital at the Oregon State Hospital, for which plans were drawn, has been postponed for lack of government sanction.

Our new budget makes much more liberal provision for salaries and for maintenance and operation at the institutions and carries on the building program according to plan. I believe the state should authorize full modernization of the state hospital and penitentiary to be undertaken as soon as wartime priorities are relaxed.

These grievous and costly incidents have obscured much of the good work and definite progress accomplished at the several state institutions. I know that I take considerable pride in the gains they have made in the way of physical improvements, in administration and in their care of the wards of the state.

FOREST PROGRAM

Through recent state legislation and reorganization of its forestry department the State of Oregon has taken the lead in developing a progressive program of forest conservation. State forests now embrace 184,000 acres and additional blocks of timberland will soon be acquired. With 1,104,000 acres of foreclosed forest lands in hand of the counties, and many hundreds of thousands of tax delinquent cut-over lands still in private hands there should be a rapid expansion of state forests so these natural forest lands may be brought into production under competent management and protection.

The brief experience in applying the 1941 forest practices act shows its value but reveals also the need for amendments. The state forestry department will also submit amendments to the reforestation tax act.

Legislation restricting the cutting of immature forests is needed to conserve the forest wealth of the future. Oregon should lead in such a vital protective measure.

Forest fire losses in 1941 and 1942 were the lowest on record. Credit for this is largely due to increased vigilance, improved protective measures, and full public cooperation stimulated by the unique "Keep Oregon Green" movement.

A foundation in law and administration has been laid for an enlightened handling of our state's greatest economic problem—conserving its forest resources, present and potential. This program to become effective will call for expanding financial support. We have put into our highway system hundreds of millions of dollars, and are well pleased with our investment. We must get a similar broad vision in forestry, investing millions in forest protection, in reforestation, in research that we may sustain an active forest industry which will return indefinitely tens of millions of dollars annually to our people.

We shall hear much about post-war planning. Here is an undertaking ready at hand. What more promising development is offered in this state than reforestation of the Tillamook burn for example and other vast areas of denuded forest lands?

A few brief comments are in order on other phases of state activity.

The lifting of the maximum grant for old age assistance to \$40 a month has been helpful in meeting the needs of the state's aged citizens. The general assistance load has declined sharply but we must be prepared for a reversal in the trend if the war boom ends suddenly.

The state board of higher education undertook some important revisions of curricula at the two major institutions of higher learning. The university was authorized to grant degrees in science courses and the state college in courses in mining engineering and in business and technology. This adjustment will involve some duplication and some increase in expense; and experience may justify some further modifications of courses. These changes mark a significant alteration in the pattern of the two institutions. What is now contemplated is not two wings of a structure but integrated individual institutions distinctive in type. I trust the changes will work to the benefit of each institution, the injury of neither and ultimately to the great good of the state as a whole.

The war has revealed many values and some deficiencies in our public school system. Oregon's multi-unit administration of schools is outdated, its teachers are inadequately compensated, its average school term too short. Enlarged units of administration, broader spread of the tax burden which will be helped through the application of the recently adopted initiative No. 312, increases the legal minimum wage for teachers and in the length of the school term are steps in the path of progress.

Time does not permit even brief reference to other state activities, but full information respecting them is available at the several departments.

POWERS OF STATE

One of the greatest political problems of our time is the relationship between states and the central government under our federal system. Progressively the states have had their rights and powers diminished through extension of authority of the federal government. In the past biennium the employment service was federalized, at least temporarily. Still unsettled is the grave issue of control of waters for irrigation, though the trend of court decisions in power and flood control cases jeopardizes the state's position and thus threatens the whole structure of irrigation law in the west. I have cooperated with other western states to preserve state authority in this field; and urge that this policy be sustained in the future.

There are signs that the limit of this federal invasion may have been reached. The Council of State Governments and Conference of Governors are now effective in representing the states in Washington and were instrumental in defeating efforts to federalize unemployment compensation, and to subject state and municipal bonds to federal taxation. War-time experience with federal bureaus under remote control is provoking popular resistance to centralized government.

It is recognized that under changing conditions closer political integration must accompany closer economic integration. The future of the states will rest not so much in constitutional theory as in practical performance. The greatest hope for preserving powers of the states is the evidence that they are becoming increasingly alive to their responsibilities. My aim as governor has been to develop state policies to make federal penetration unnecessary in fields such as forestry, employment and public education; and to provide direct and efficient administration so the public will be satisfied with the functioning of the state government. Not by orating with the outworn shibboleth of "states' rights" but by demonstrating their capacity to govern will states retain or regain their political powers.

Much of the subordination to Washington has been due to the temptation of federal financing for local projects. That financing was deficit financing, which cannot continue indefinitely. State and local units of government therefore ought to work out plans for post-war development, with accompanying plans for the necessary financing. If states and communities carry their local obligations they are less apt to become economic or political pawns of the federal government. Public construction will help cushion the shock of transition from war to peace-time economy.

THE FUTURE

Two years ago I called to your attention the danger to this country from Japanese aggression. You know how that fear proved genuine, and how in less than a year Japan extended its empire to embrace all of East Asia and virtually all the islands of the western Pacific. About all the United States has done to date is to halt the further extension of Japanese power. We have not yet thrown out the Japanese from a single atoll of their conquests. Japan is now consolidating this empire whose populations total well over 200,000,000, and whose resources are among the richest and most varied in the world.

Because of our position as a state fronting the Pacific we in Oregon press the urgency of a full-scale military action to cut the jugular vein of Japan's empire. The longer the task is deferred the greater will be the cost, and the graver the menace to our own continental security.

When Japan is defeated and its military spirit crushed, when stable order is established in the Orient, not on the basis of a parasitical colonialism but on terms of fair trade in commerce and fair treatment in human relations, the Pacific era of which we have long have dreamed will surely come into reality. Oregon is deeply interested in that future. This state should prosper by sharing in the expanded commerce with the Orient and be enriched in the renewal of cultural relations with China; yes, and with the people of a chastened Japan.

Oft quoted in these days is the Greek saying that war is the mother of change. We have found that war of the present global dimensions is productive of change even in the intimate lives of the people, as it is prophetic of change when the order comes to "Cease firing!" If the sacrifice required goes to the degree of real privation we must not falter, for the issues now are of life and death. The declared aim of the axis powers is world domination. The victims of their aggression already feel forged about them the chains of slavery to a "master race." To secure ourselves from such a fate we must visit crushing defeat on the homelands of Italy, Germany, and Japan. We do not fight alone. Stalwart Great Britain, valiant Russia, long-suffering China and a score of other nations are united with us in purpose and effort.

This working cooperation must continue after the war. While it may seem foolish to write the peace before we win the war, it would be ghastly stupidity to lose the war by neglecting the peace. It is the substance rather than the form of post-war cooperation which is vital. In the world of airplanes and radio no country can dwell in magnificent isolation, not even the halcyon islands of the south seas which have suddenly found themselves dropped into the caldron of war. Nor can we safely put our trust in covenants and peace pacts and disarmament treaties which give advantage to the most deceitful among the nations. The war will leave a terrifying legacy of slaughtered manpower, of despoiled countries and industries, of bitter hatred. That its ending may not mark merely the truce of exhaustion but bring a peace that heals will call for the highest degree of statesmanship among the leaders of nations, and no less an intelligent comprehension of world problems among their peoples.

We fight and we fight for full victory; and we must continue to fight to preserve the gains for ourselves and for the world which alone can justify the appalling cost of this war in blood and treasure.

In this chamber four years ago I took my oath as governor of the state. I have come to the end of my term and now turn over the office to my constitutionally chosen successor. As I retire I wish to acknowledge the

cooperation I have received from other state officials, and the fidelity of the appointive officers in my administration. I wish also to express to the people of Oregon my very deep and genuine gratitude for the honor they have done me in electing me to this high office. I have endeavored to fulfill their trust in me and, in peace and in war, to discharge the duties of my office to the best of my ability. My devotion to state and country will continue as I return to private life.