

Farewell address
of
Edward C. Smith
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Farewell Address

Gentlemen of the General Assembly:

The subject which first engrossed my attention at the close of the last session of the Legislature, and which should, in my judgment, be the first to engage yours, is the system of accounting that at present obtains in this State. There is no department of the State government which deserves more careful consideration in its practical every day working than that presided over by the State Auditor, and there is none, I regret to say, which has received less at the hands of your predecessors.

This department, more than any other, is responsible for the disbursement of and accounting for the State's revenue, amounting annually to over seven hundred thousand (\$700,000) dollars. It ought to contain the most exact, careful, perfect system of accounting with each official of the State who is authorized by the statute to receive and disburse the State's money; it ought to provide for the most painstaking investigation of every claim and every indebtedness for and against the State; it ought to know from actual knowledge that the multitudinous agents of the State, the county judges, the county clerks and superintendents of State institutions, the justices of the peace and all others who under the statute receive the State's money, not only collect what is due the State, and all of it, but, what is equally important, that they turn what they do receive into the State Treasury; and it ought to contain complete records of all and every money transaction of the State, and to keep such records in an orderly manner; and yet in its practical every day working the office to-day is wanting in every essential element of approximate accuracy. As a matter of fact, the office cannot furnish a satisfactory statement of the account of a single State official who receives or disburses the State's money, nor a complete accurate sworn to report of any essential financial transaction of the State, and, judged from the standard of a modern system of accounting, appears to worse advantage the more the present system, or to speak more properly, the want of system, is investigated.

These statements are the result of careful investigation not only by myself, but at the hands of the present State Auditor to whom I am indebted for much valuable assistance, and many valuable suggestions in this connection. The present state of affairs is not chargeable to the present State Auditor nor to any of his predecessors, and no criticism is intended on them by anything stated herein; the faults that exist are traceable plainly to your predecessors and the remedy rests with you.

In order that the subject may be fully before you I will enumerate the duties of the Auditor as the statutes stand to-day: He is required to know that each of the two hundred and forty-six towns is debited with the State tax; that the debits are correct, and that the amounts are properly paid into the treasury of the State. In order to accomplish this properly the statements of each town treasurer should be verified to ascertain if the amount due is correctly figured and properly made up.

He is charged to settle with the State Treasurer annually and make a through examination and report on these accounts; he is charged with the examination and adjustment of all claims against the State and is required to attend each session of the Legislature and be present at each meeting of the claims committee and defend the State; the statutes provide that he shall allow no claim not based on law nor draw an order on the State Treasury except in pursuance of law; a proper performance of this duty alone involves a large amount of careful investigation; the number of bills introduced in the Legislature at each session "to pay claimant the sum therein named" is evidence of the time and attention necessary to protect the rights of the State in this regard. All these claims have to pass before the Auditor except as they may come to the Legislature in the first instance.

He is charged to keep an account with each county clerk, and to see that the State's money received and disbursed by the county clerk to pay for election and court expenses is properly accounted for.

Twice each year he is required to visit each county and audit the accounts of each clerk, sheriff, and municipal judge and justice of the peace; this involves an examination of the transactions of fourteen sheriffs, fourteen county clerks, six municipal judges, and of between 250 and 500 justices of the peace and from 3,000 to 6,000 separate bills of cost. The amount of detail involved in these accounts in the aggregate is enormous and, covering as it does fines and costs and fees, demands painstaking examination of docket entries and court records to ascertain their accuracy and to determine whether they are properly made up.

He is charged to examine annually the accounts of twenty probate judges, and ascertain whether the fees are properly and uniformly charged, and proper return thereof made to the State. This involves an examination of the records respecting the estate of each deceased person to see whether the inheritance tax and other fees in the settlement of the estate are properly charged. The work involves time, study, knowledge of law, and care.

He is charged with the supervision of all suits and legal matters in favor of the state. All other State officers whose duty it is to disburse money for the State make their returns to the Auditor, and the Auditor has to make settlement once each year with the Sergeant-at-Arms, Quartermaster-General, Superintendents of the State Prison, House of Correction, Vermont Industrial School, Insane Asylum and Soldiers' Home; also with the secretaries of the various State boards and State commissions, and to adjust their accounts. In addition to these outside duties he is charged with the drawing of orders each month in payment of the State expenses and claims amounting to forty or fifty thousand dollars, and is supposed to keep proper records of every transaction that passes through his office. These in brief are the duties required by the statutes, and so far as they go are in line with propriety and the necessities of good government, but the serious difficulty lies in the requirement of the statutes that the Auditor is required to perform all this alone. He is allowed neither clerk nor stenographer at the expense of the State, and hence the examination of every account, the hearing and investigation of every claim, the adjustment of every State official's account of receipts and disbursements, and the recording of these important transactions, is imposed upon one man, unless he is willing, out of his own salary of \$2,000, to employ such assistance as may be required. This state of affairs is bad enough for the Auditor who tries to perform his duty, but is worse for the State, and the people are suffering accordingly.

It needs no argument to demonstrate that it is simply a physical impossibility for one man to do this work. The necessary traveling about the State alone to examine the records of the county clerks, the judges of probate, the sheriffs, and the justices of the peace, necessitating trips into each county, and, if the work is properly done, into each town, is sufficient to absorb all the time of one man and more, not to mention the examination and settlement required to be made with the State Treasurer each year, and the time required to go through his accounts and records, to visit each separate State institution and to check over their accounts and to know that the twenty-five or thirty thousand dollars paid out by these institutions each month has been properly and judiciously expended by the trustees thereof.

No one Auditor can do it all, and no one Auditor has done it all; the work has been skimmed, what was absolutely necessary to be done has been done, and no more, because there has been no time for more. As a matter of fact, in practical working, the accounts of those persons who have collected money for the State have been accepted by the Auditor at their face value, and merely such casual inquiry as was possible in the time allowed, has been made as to their accuracy. There has been no uniformity in the accounts rendered, with rare exceptions, but the certificate on oath of the receiving or disbursing officer that the accounts rendered were correct has been accepted as true. The State for years has been in the position of merely accepting what has been paid to it without knowing that it has received what actually belongs to it. It is a most unfortunate condition of affairs, but it is not exaggerated.

Another evil result of the existing system is the absence of any attempt at a complete and accurate record of the State's financial transactions. The books are out of date, inadequate and incomplete, and the records confused and faulty. No index even of claims made against the State or of orders paid by the State has been attempted, and the original documents that comprise all the valuable information of the State's receipts and disbursements are kept, some of them in the Auditor's office down stairs, some of them at the Auditor's home, while most of them are packed up in dry goods boxes or scattered about the floor in the dome of this building. The present Auditor has endeavored to bring some sort of order out of this confusion but it is a sad mess at best to-day.

No balance sheet has ever been prepared of the State's affairs, and none ever can be made covering past transactions.

I cannot find that the Auditor himself is directly responsible to any one except the Legislature, and from such of their reports to the Legislature in the past years as I have been able to examine I must confess my inability to get any accurate information about any of the State's financial affairs whatever.

I cannot find that a claimant against the State of Vermont is allowed any appeal from the Auditor's decision except to the Legislature. This is a condition that is irksome alike to the Auditor and the public. On the one hand the Auditor has no one to share his responsibility nor any one with whom to advise, and on the other, the public having a just claim is liable to have to wait two years until the Legislature convenes, and then be put to the unnecessary expense of establishing the claim before the Legislature.

I cannot find that the Treasurer of the State is responsible to the Auditor nor to any one except the Legislature, nor that any one has ever made a complete audit and report of his accounts. The statutes charges that the Auditor and the Inspector of Finance shall do so, but in practice this has amounted to nothing because the Auditor has no jurisdiction of the Treasurer, and no time to do the work if he had jurisdiction; the only examination made has been for the Auditor and Inspector of Finance to check over with the Treasurer such orders on the Treasurer as have been issued by the Auditor but the receipts from other sources amounting to thousands of dollars have never been checked over or verified. This statement may shock the ears of those who are accustomed to deal with trust funds, and it ought to, but it is literally true.

Under the statute the Auditor has no jurisdiction over the important revenue transactions of the Commissioner of State Taxes, nor of the accounts of the Insurance Commissioners, sources of State revenue amounting to hundreds of thousands of dollars a year, about which your Auditor knows nothing officially.

I recommend as a remedy and relief to the present situation that the Governor, Lieutenant Governor, Auditor, and Treasurer, and perhaps the Speaker, be constituted a board with jurisdiction over the accounting and financial departments of the States; that the Auditor and Treasurer, and perhaps the Speaker, be constituted a board with jurisdiction over the accounting and financial departments of the State; that the Auditor and Treasurer report to this board at monthly meetings to be held at Montpelier, when the transactions of the month in each department shall be considered, and that all orders drawn by the Auditor or the Treasurer shall be approved by the Governor before being paid by the Treasurer; that this board act as an advisory one to the Auditor in connection with claims against the State, and to have authority at the expense of the State to employ an expert to audit the accounts of the Auditor or Treasurer, if in the judgment of the board it should be necessary at any time.

In addition the Auditor should be given jurisdiction of all the accounts of the State, including the Treasurer's, the Commissioner of State Taxes, and Insurance Commissioner's and should be authorized to employ such subordinate clerks as he may find necessary to attend to the details of his office and to establish and maintain a proper record of the State's business. His office should be located here at Montpelier, and all the subordinate officials and clerks in the Auditor's department should be civil service positions. It is important that the best persons available be chosen for these subordinate positions and kept there during good behavior.

I recommend an appropriation of not to exceed seventy-five hundred dollars annually for the expenses of this department, and have no hesitation in expressing the opinion that if the plan is properly carried out there will result a net saving to the State the first year of at least thirty thousand dollars.

I am happy to say these suggestions are concurred in by the present State Auditor.

It is amazing that the existing system of accounting should have been left so long in force. No man who has been a member of this Legislature and understands the first rudiments of accounts would permit the record of his own business transactions to remain in such a condition any longer than it took him to change it. I recommend earnestly that a special committee be appointed to act with the Auditor to deal with this question. The immeasurable advantages to the State arising from the adoption of a modern system of accounting must be apparent to any one who will give the matter a moment's reflection.

SO-CALLED "DOUBLE TAXATION."

The question of double taxation has been the topic of discussion at each session of the Legislature since the present law was enacted. At the last session a commission was appointed to look into the subject, and its report will be found to contain much valuable information, but it has seemed to me from the investigation I have given the subject there is a short cut to relief that is worthy of consideration aside from the valuable recommendations and suggestions contained in the report of the commission referred to.

The term "double taxation" seems to be a misnomer as applied to the evil sought to be remedied here in Vermont.

The alleged double taxation here arises from the taxation of real estate at its full value, and, if there is mortgage on it, of taxing the mortgage at its full value also.

This is not double taxation, because there are two distinct property interests which are liable to taxation and which are taxed separately – the real estate itself and the money which is represented by the mortgage. Neither property value is taxed twice under our law. The State simply taxes the full value of the real estate to the owner and then taxes the mortgagee on his money. This is unfair, but not unlawful.

It is just at this point in calling this situation "double taxation," and trying to dig a remedy for the real hardship out of it, that those who have discussed the question heretofore have drifted off into the abstract question of taxation in general, and failed always to find any relief to a manifest and unpardonable injustice to the owner of real estate in Vermont.

As a matter of fact the solution is simplicity itself, if one but takes the trouble to analyze the problem. The injustice and wrong arises from the statute which provides that real and personal estate shall be placed in the list at its value in money and with respect to real estate makes the mortgagor pay the tax on the entire value of the real estate and allows him no offset to his debts, while with respect to personal estate the right to offset is allowed to the owner thereof and only the balance is taxed. It is this unfair, unjust discrimination between real and personal property that causes all the trouble.

The situation is even worse than appears on the face of it. Under the provisions of the Constitution each citizen is called upon to bear his proportion (which means his just proportion) of taxation, and under the provisions of the statute referred to the owner of personal estate may not only offset any mortgage on his personal property, if it is mortgaged, but from that balance may deduct any other indebtedness he may have, while the owner of real estate is taxed to the full value of his property and denied any relief whatsoever from his mortgage and other debts. The more he owes the greater his burden of taxation.

The simple statement of the case is the strongest argument against it. It is not double taxation of the owner of real estate, but the rankest kind of injustice; it is an unfair discrimination against him, and a denial of his plain right under the Constitution. There can be no possible justification, legal or equitable, for any discrimination in taxation between real and personal property; they are both property, and should be taxed alike; to give one class the right to offset debts, and deny the same privilege to the other class, is violating justice, fairness, the Constitution and everything that lies at the foundation of good government.

The remedy lies in treating both classes of property alike; give to real estate the right of offset of debts or take away that right from personal estate; there can be no other solution of the problem.

The only argument I have heard raised against such a proposition is, that if real estate is allowed the right of offset the grand list of the State will be so reduced that nothing will be left upon which to raise a revenue. This argument is absolutely without force or foundation, and while it has been used to frighten owners of real estate heretofore into believing their taxes would be increased if both classes of property were placed on a level, there is in reality nothing to the argument. It should be remembered that in such event the amount of revenue to be raised would not be affected in the least. It would simply be the rate that would change. As a consequence of such a change the proportion of revenue personal estate would have to contribute to the State would increase and the proportion real estate would have to contribute would decrease; this is exactly what ought to occur. The two classes would be equalized and that is what ought to have occurred long ago; the balance ought never to

have been disturbed. This equilibrium ought to be established at once, irrespective of consequences, because whatever the consequence may be the foundation will then be laid properly. This Legislature ought never to adjourn until this wrong is righted.

SUGGESTION FOR INCREASED STATE REVENUE.

When the act of 1890 to pay State expenses by taxing corporations was before this body, it was stated that the act ought in a few years to furnish sufficient revenue to take care of the State expenses. The results would have been accomplished had the State expenses remained what they were at that time, but with the progress of events and the growth of the State, the expenses have increased from \$466,000 in 1890 to \$742,000 in 1899. The receipts from the corporation tax law have crept up from \$245,000 in 1890, to \$418,000 in 1899, so that during the last biennial term there is a deficit to be made up by a tax on the people of \$372,000. In all probability the expenses of the State government will continue to increase. The advancement of ideas of civilization, the progress of education, the improvement of the State roads, the enlargement of the State institutions, etc., will demand and receive an increasing expenditure, and the question of how to provide the necessary revenue to meet it all without imposing a further burden on the people should engage your serious consideration. I am for one opposed to borrowing money either by direct loan or by capitalizing our sources of revenue for the purpose of defraying any of these increasing expenditures. The State is practically out of debt to-day and there is no reason why it should not remain so. It does not seem to be necessary to borrow money; we have simply to make use of the means at our hands to secure an abundance of revenue. In the sovereignty of the State lies a commercial element of incalculable value; the power to create and grant corporate franchises and the power to tax them. These ought to be turned into money for the benefit of the people sufficient not only to relieve them from paying any State tax but to furnish all the revenue necessary to provide for State improvements and general expenditures that are likely to arise, and by this statement I do not mean to tax existing corporations out of existence or to impose any further burden on them. It is with reference to corporations hereafter chartered that I am speaking mainly.

It has been the practice of former Legislatures to part with these valuable franchises virtually as gifts. To him who asked was given, and the State has derived little if any direct benefit to its treasury from such grants. In the last eighteen years the Legislature has granted 198 private special charters creating corporations of a commercial nature, and there have during the last ten years been 1,027 corporations organized under the general law by voluntary association. Out of these the direct revenue to the State for the grant of the franchise has been insignificant from those doing business in the State, and from those chartered by the State which transact business out of the State, practically nothing. The value of these grants has been more fully appreciated by our sister States, and some of them are reaping enormous revenues from this source alone. Take the State of New Jersey for example. Sixteen years ago when her present policy with respect to corporations organized under her laws was adopted, the revenue from this source was \$98,000. In 1898 it has climbed up to over \$971,000 for that year, while for the year 1898 I am informed the enormous sum of over \$1,200,000 has been derived from the tax on miscellaneous corporations alone, and this is exclusive of the tax on railroads, savings banks, etc., which amounts to over \$900,000 per annum in addition. It may be there are geographical reasons and its proximity to New York to explain in part why New Jersey is able to secure such a larger revenue from the sale of corporate franchises, but I believe the chief reason to be that her laws are enacted with a view to supply the demand for such legislation. That State furnishes within the limitations of her own and the Federal Constitution, such liberal terms and such opportunities that those who require corporations to transact their business go there for them. The same is true of other States, and it is time for Vermont to so amend her laws in this respect that a franchise shall be offered more attractive than other States now offer, and then Vermont will control the demand.

The present law of Vermont is too liberal in some ways and not liberal enough in others. It allows franchises to be acquired upon the payment of a mere nominal sum to the State, and in the case of charters obtained to transact business out of the State upon no expectation or provision of ever receiving any annual revenue for the use of the charter by taxation, while on the other hand there are limitations in the amount of capital authorized and an uncertainty with respect to taxation that shut out the most profitable of the associations of the country. We are giving away for practically nothing these valuable franchises and at the

same time placing limitations about them that make them a second or third rate charter, at any rate, not the most desirable.

There should be built into our legislation more of the principles that govern commercial transactions. We should enact the best laws – and by that I mean the laws that will attract the largest amount of capital and give stability and permanency to the question of taxation thereunder – and then charge a fair price for the franchise thus granted. There is between our present law and the law I recommend the difference of offering a man a thing he doesn't want for nothing, and exposing for sale something he really needs that is better than any one's else and charging him a fair price for it. The one proposition is not a business proposition, the other is.

I recommend, therefore,

First. – That the present law relating to organization of corporations by voluntary association be amended by repealing the restrictions on the amount of capital authorized, so as to allow corporations with any amount of capital stock that may be desired to be incorporated. The business necessities of the expanded wealth of this country demand this provision. It is permitted by the laws of other States and ought to be by ours.

Second. – That corporations organized under that chapter be classified with reference to taxation, to allow those corporations which are now taxed directly to the State to remain as at present, and to provide that all other corporations organized for commercial purposes shall pay a franchise tax to the State which shall be levied on the gross earnings of the corporation, if it transacts its business in the state of Vermont, and upon its capital stock issued, if it transacts its business outside the State of Vermont. This provision will bring a revenue to the State which has never before been received. The tax in each class should be reasonable and not so excessive as to defeat the main object of additional revenue.

Third. – In order to give stability to the law and protection and certainty to those who organize themselves into a body corporate under it, I recommend that a contract be given by the State to those who avail themselves of its provisions agreeing that neither the basis of taxation nor the rate shall be varied for a term of years.

Fourth. – The addition of a section that will enable the State to enter into a contract for a term of years with any non-residents, whether individuals or corporations, who can be persuaded to take up their residence in the State of Vermont.

With a view to increasing the meager revenue of the State and to avoid additional taxation to the people of the State, two years ago I recommended the adoption of a provision identical in its principle to this, but applied it to non-resident citizens alone, and in brief asked the Legislature to pass a law that would permit the State to enter into a contract with any non-resident who would become a resident of the State, agreeing that the tax of such person for a period of years should not exceed a fixed sum; the bill passed in the House by a large majority; it failed to pass the Senate by one vote. More mature consideration of this subject has convinced me that the principle involved of enabling the State to enter into a contract of this character with a non-resident individual or corporation is fair, honest and legitimate; that it does not infringe the Constitution, and that its adoption as a state policy will inure to the lasting benefit of the resident taxpayers of this State, and I have no hesitation in earnestly urging its adoption now.

I would have less confidence in doing so at this time were it not that the State is already committed to a more extreme application of the principle than I have presumed to recommend. Section 365 of Vermont Statutes provides in substance that manufacturing establishments and all capital and personal property used in such business, if it exceeds one thousand dollars, may be exempted from taxation not exceeding ten years if the town so votes. Here is the equivalent of a contract which can be enforced, at law, fixing the amount of tax a manufacturing corporation or establishment shall pay for ten years in the State of Vermont. It is precisely the same principle that is involved in my proposition, except mine is the better business proposition, better for the State because it produces a direct revenue and the other doesn't, and better for the non-resident or the corporation who enters into it because such person ceases to be an object of charity and has the satisfaction and independence of paying for what he receives. The object recommended in this connection, whether it is with respect to a non-resident who comes here to reside or a corporation organized under the laws of the State, is certainty with respect to taxation. Only under the protection of a contract with the State can this be obtained,

and in no other way. There is no tax dodging about it; it is on the contrary founded on sound principle of business.

The experience of my administration has taught me that most essential needs of the State to be more revenue for the State treasury and less tax on the people, and I believe the relief is quickest found in the manner I have indicated. Change the laws relating to organization of corporations so as to market your franchises to the best advantage; so as to produce a revenue instead of giving them away as you are doing practically now; extend in proper measure the laws relating to taxation of corporations so as to produce new and additional revenue; and do not fail to amend the law respecting your accounts so you may be sure you secure what will mark a marvelous change for the better in the State of your finances.

INSURANCE COMMISSIONERS.

I have been urged to recommend a separate department of insurance in place of the present arrangement of having the office filled by officers of the State whose attention is already occupied by other duties and whom the State already pays for performing other duties. The argument used is that the State is entitled to the exclusive services of the Secretary of State and the State Treasurer, while the duties of Insurance Commissioners require special training and expert knowledge which should be wholly employed to protect the interests of citizens of Vermont who have deposited their money with these large insurance corporations for safe keeping. On the other hand, it may be claimed that the duties of the office of Insurance Commissioners are not so arduous as to prevent their proper performance by the present incumbents. The question will doubtless be presented to you, and you will give it the consideration it deserves, but without doing more than present the case on its merits for your consideration, there is one feature I do believe should be dealt with. As at present arranged the Commissioners received as and for their salary 40 per cent of the fees collected from the insurance companies. This is in my judgment entirely wrong in principle. Whatever fees are collected ought to go into the State treasury, and belong to the State, and whatever salary is paid to Insurance Commissioners should be fixed and paid out of the State treasury irrespective of the fees collected. No office of this character and dignity, nor any office representing the sovereignty of the State, ought to be farmed out on shares, even if the fees are defined by statute. The State ought not to allow a condition of affairs that will invite the criticism that is bound to be made, no matter how honestly the office may be administered. Whatever the Legislature may do, therefore, respecting a divorce of the office from the offices of Secretary of State and State Treasurer, I recommend that the provision allowing the Commissioners any percentage of the fees collected be repealed, and that, whatever the salary of the Commissioners, it be fixed and paid by the State.

NATIONAL GUARD

After the close of the war with Spain it was deemed advisable to postpone the reorganization of the National Guard of Vermont in the hope that Congress would determine the policy of the government to be to assume jurisdiction over the entire militia of the States, or at least define the basis on which the several States should organize their guards. The Congress failed to pass the expected measure, but went so far as to indicate a basis for organization of the regular army, and during the fall of 1899 the National Guard of Vermont was reorganized on substantially these lines. The annual muster held at the State encampment ground in August last was a credit to those who organized the regiment and to the State. It is the best ordered and most business-like regiment of National Guard it has been my privilege to know, and the statutes should be revised to meet the changed conditions.

GOOD ROADS.

Two years ago I called attention to the question of good roads and to the status of the then law on the subject, showing that the 5 per cent State highway tax was expended without any permanent benefit to the State or to any of the towns. The Legislature thereupon established a commission and provided for some responsibility in the expenditure of the \$87,000 highway tax. The State is to be congratulated on the result. For the first time the State has reaped substantial benefit, and made progress in the direction of good roads. During 1898, under the direction of the commissioner, 117 miles of permanent work was laid down, and this year, while the figures are not all in, the commissioner estimates that over 150 miles will be built. This gratifying result of 267 miles of permanent structure is accomplished from the same money that before that time

accomplished practically nothing. Not a little credit is to be given to the commissioner, who has visited every county twice in each year and held public meetings that were largely attended and gave evidence of an interest and enthusiasm very encouraging to all who have this subject at heart. The work should be expanded, and I recommend that the State highway tax be increased to 10 cents on the grand list and that the policy already so successfully inaugurated be continued. The money expended on good roads under the direction of a State commissioner will return many fold.

CONSTITUTIONAL AMENDMENTS.

It is perhaps my duty to call your attention officially to the fact that this session occurs at the period at which amendments to the Constitution shall be proposed. I have none to recommend. There appear to be no fundamental evils in our organization against which the people are protesting and none that are working any serious injustice to any one. None is likely to arise in the immediate future than cannot await the beneficial experience of another decade. Undoubtedly the time will come when the increasing population of our State and its tendency to centralize in the larger cities will demand a change in the system of representation in the Legislature; when the manifest injustice of a town with a small population and only a nominal grand list, in the enactment of laws exercising an equal voice with a city having a hundred fold greater population and an even greater proportion of wealth will be recognized, and the basis of representation equalized, and when the time and the injustice are ripe the remedy will be found. In theory, the wrong I have recited exists to-day, but in practice it doesn't. The injustice and inequality are at present possible dangers rather than actual realities, and it does not seem that the large towns and cities are as yet suffering to the extent of warranting a radical departure from our present system of representation. Nor are they likely to suffer before another ten years runs along its course. In case, however, it should be made to appear that the rights of any municipality or any county or any body are jeopardized, or are likely to be jeopardized, by the existing method of representation in the Legislature, the question of a change to the district representation should be at once taken up and considered.

PROHIBITORY LIQUOR LAW

The subject of a revision of the prohibitory law will doubtless come before this Legislature for consideration, as the law has received similar attention at every session for some years past. It is to be observed that during the past two years the people have debated the merits of the law with a greater spirit of fairness and apparently more tolerance of the arguments for and against the law than ever before. The State is to be congratulated on this evident disposition of all to reach a solution of the great problem involved that will be for the best interest of the State. A full and frank discussion of every question is the only way to reach the truth, and the principle involved in the prohibitory law is no exception to the rule.

There are honest differences of opinion as to the method of dealing with the evil of intemperance. In fact, among the best thinkers on both sides of the question, as in fact among all who have the best interest of the State and society at heart, there is a substantial unanimity of thought on the underlying principle of temperance and morality. The moral principle does not admit of question, but the division arises on the method of sustaining and enforcing the principle. After all, whatever law we have on the subject is no more than an instrument or method of carrying out the fundamental idea. Neither the prohibitory law nor high license, nor local option, is the principle of temperance itself. They or either of them are merely the machinery to carry out a method of dealing with an idea. The question resolves itself therefor, down to this: Which is the better method of dealing with an evil which already exists? Shall it be through the instrumentality of a method that requires the evil to remain in existence in order to sustain the law? Which in order to be operative presupposes the perpetuation of the evil? Or, shall it be through a method of education to a higher life which by training and example leads up to the establishment of a sound mind in a sound body, and thus to the ultimate elimination of the evil? Shall it be on the assumption that the class who deal in intoxicants are all bad, or that they are all good, only more or less perverted?

The exact method of relief to be adopted depends entirely upon the particular starting point selected, and this point, together with the ultimate method to be chosen, whether it is to be a more stringent application of the present prohibitory law or a high license or local option, or a modification of either or a combination of all, or a referendum, is for your consideration and determination. It is devoutly to be hoped that whatever you finally

decide upon to be the method it will be so hedged about that the law can be and will be enforced, and that the court and all its officers and servants will be held to an accountability strict enough to maintain the full measure and dignity of the sovereignty of this State.

CONCLUSION.

In delivering a retiring message to the General Assembly, I have deemed it proper to depart from the practice of my predecessors of passing in review the record of their stewardship by giving a synopsis of the reports of the various State officials and I have perhaps unwisely confined my remarks simply to the discussion of such changes and improvements as have seemed to me to be most necessary and beneficial to the state at large, as the result of my experience in the administration of this office. I shall, therefore, allude to these reports no further than to commend them to your careful consideration and bespeak for them your earnest study. They tell the story in detail of the work of the various departments of the State government and contain suggestions of improvement and change deemed advisable by those most closely in touch with the work. I have only words of commendation for the work during my administration of those who occupy positions of responsibility and trust in the service of the State. They have performed their duties satisfactorily and faithfully, with an honest desire to secure the best result to the interest which they serve, and it has been a pleasure to be associated with them.

The past two years have been full of the spirit of progress and energy, not only for our own State but for our nation and the world, and in the procession of history will stand out with unusual prominence. They constitute a period when the tide of affairs has run with a deep and strong current; when causes and consequences have raced along with leaps and bounds. They are remarkable as being on the border land between the two centuries from which could be watched not alone the closing sunset of the nineteenth century but also could be plainly seen the rosy dawn of the twentieth. They have marked the transition of our nation in its growth from youth to sturdy manhood when we have expanded from a people round our own firesides to one of the powers of the earth; with a foreign policy that is listened to; a navy that is respected; a foreign trade reaching up to a billion four hundred millions of dollars in a year; the projector of new empires; and with an army that has already marched half way round the world and planted our flag within the walls of the Forbidden City. In these years our people have torn aside the veil that has heretofore shut within our own boundaries the light of liberty and humanity and allowed its beautiful rays of hope and promise to illuminate the expectant but unaccustomed eyes of the downtrodden and ignorant and oppressed.

With the close of this year will change not only the century, but in the great division of time the second one thousand years will roll into the third thousand years of our Christian era.

All these events but serve to accentuate the development of our nation in civilization, progress, prosperity, and Christianity, and to build within the limits of the vision of this generation a structure of greatness that will far exceed the dreams of our fathers.

Your work here at this session will define the position Vermont is to occupy among the sisterhood of States. It will shape our policy as a State for years to come, and, in closing my last official act in this high office, I urge you to bear all these things in mind and to remember in your work that you are legislating for the twentieth century instead of the nineteenth.

FRED A. HOWLAND,

Secretary of State, Clerk.