

be the case in other states too, is to determine the right amount—and just the right amount—of money to spend in the government of a State which is growing rapidly without any effort of its own and which is progressive by the will of its people. Considering the ability of its citizens to pay taxes, at what level should a State sustain its government services?

Demands, as we all know, come from all sides to expand this service, to improve that institution, to build another building here and another road or bridge there. A State that is progressive and wishes to remain so must expand, build and improve.

Pressures are built up by local governments for more State assistance to finance their activities. These cannot be ignored, for political subdivisions—cities, counties, townships, etc.—are creations of the State and, to a certain extent, remain its responsibility.

A State can get itself into serious trouble by not knowing when to resist and when to yield to these demands and pressures. The peril is particularly pronounced in times of prosperity when surpluses accumulate in the treasury and increase the temptation to overspend.

We all know that surpluses rapidly become deficits if they are treated as though they were current revenues and used to finance new programs. By appropriating funds in excess of current revenues, using the surpluses for the purpose, the level of government spending is increased to a degree that eventually new taxes will have to be imposed to support the new programs.

How surpluses become deficits was exemplified clearly in Maryland a few years ago during the previous Administration. The State closed its 1956 fiscal year with a \$26 million surplus, and, although its general fund revenue estimate for 1957 was only \$130 million, it appropriated for that year more than \$150 million, using \$20 million of its surplus.

Again in 1958, with revenue estimates at \$146 million, it appropriated \$163 million, once more using surplus. And so, when the General Assembly met in the recession of 1958 to consider its budget for the 1959 fiscal year, it found that the \$26 million of surplus it had had in 1956 had vanished and that it faced a \$40 million deficit. There was nothing left to do but raise taxes, and both the sales and the income levies were upped by 50 per cent.

We find ourselves now in much the same position we were in in 1956, with prospects of a substantial surplus by the end of this fiscal year. That is my problem. The question is: Will we profit by our experience of 1956-1958?