through canals, through railroads and these great enterprises were going to make everybody rich. All you had to do was to invest in them and sit back and reap the profits. The people who lost were not only the investors, but they were people of the State of Maryland and, sad to say, those who came from another generation, the one behind the investors and the one behind them and they had to pay for the mistakes of their forefathers because you cannot get something for nothing. You have to pay for it. So when the last Constitution came to be written and the one before it came to be written, they wanted to be sure that the mistakes that had been made would not occur again and so they wrote into the Constitution one safeguard after another.

Sometimes these safeguards worked out. Sometimes they were good. Sometimes they did not work out and they, therefore, worked either to prevent the State from making progress or they had to find a way to get around it. We have, as you will note from your examination of the Commission's Report, constitutional prohibitions involving the incurring of state debt. Now, one of these prohibitions or safeguards, it is really not a prohibition but a safeguard is this, and I put it in very simple language, an over-simplification, if you will, they provided that when you borrow money in the State of Maryland and you issue the state's bonds to secure that indebtedness, then and there you must provide a tax with which to pay back the principal over a period of years which is amortization and that tax must also include the interest that you must have. They did this in order to hold back wild expenditures of money for speculative investment, construction, building or plans or ideas and the purpose was to require the legislature in doing so to provide the necessary tax and when you have to provide the necessary tax with interest, then you do go slow because every legislator knows that as you impose this tax, the people back home know about it. So that as they incurred this indebtedness, and as they incurred interest in the State of Maryland, there was one sure tax. That tax was the tax on real estate, so that every time Maryland provided a bond issue, the legislation providing for the bond issue carried with it, tax on real estate sufficient to pay the principal over the period of time it was to be amortized and interest as the interest accrued which, of course, declined as the payments on principal were made. So you had a sure basis for the payment of your indebtedness.

Now, when you are ready to sell bonds, you go out into the marketplace. The marketplace is the public. Bond issues are purchased in open bidding by syndicates of bankers, investment houses; these investment houses, these syndicates are made up sometimes of 30, 40 or 50 banks in one group and 40, 50 or 60 banks in another group or investment houses, sometimes fewer, sometimes a third syndicate. Then on the day when the bidding is open, out to the third, fourth, fifth or sixth decimal point, you determined who is giving the State of Maryland the most money for its bonds or, in reverse, who is requiring the State to pay the least interest.

Or, putting it still another way, does the investor get a larger yield or a smaller yield? There evolved in connection with our bond issues a form of bond where each year there was a particular bond requirement for that particular year as to how much by serial number, by grouping would be amortized, what the interest rates would be, and sometimes the interest rates for the first few years were different from the interest rate for the latter years. All of this depended on many tangibles and intangibles. Much of it depended on what the marketplace demanded when you went into the market. It depended on what world conditions were, what conditions were in our own country and what, indeed, were the conditions on the day when you went into the marketplace. But over and above all of this, what you got for your bonds depended on how good your credit was and is. Moreover, how good your credit is affects you in a number of ways. If you have the best credit there is, you are going to get a better price for your bonds. If you have a credit which is not the best, but almost the best, you may pay more in interest and get less for your bonds and so on down, depending on how you are rated.

Now, these ratings are not made in the State House, they are not made in Annapolis. These ratings are made in New York by two of the big organizations dealing in this field of bonds where they spend tremendous time and money investigating every facet of the state or of the county or of the city that is coming into the marketplace. If you have the best rating of all, you have a triple "A" rating, therefore, it would mean, depending again on the conditions of the time when you go into the marketplace, you would then get the best price for your bond and pay the lesser interest. If you had a double "A" rating, obviously, although sometimes the margin in price may be almost so small that only where a large issue is concerned would it amount to a great deal, sometimes your