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# Ordinance to Prohibit Punchboards in Portland; Proposed Amendment to City Charter Relating to Promotion of Industry in City of Portland

City Club of Portland (Portland, Or.)

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### Report

## ORDINANCE TO PROHIBIT PUNCHBOARDS IN PORTLAND

**PURPOSE:** To prohibit all punchboards and similar devices within the city of Portland, Oregon.

500 Yes, I vote for the ordinance.

501 No, I vote against the ordinance.

To the Board of Governors,  
The City Club of Portland:

To be submitted to the voters of the City of Portland at the Municipal Non-Partisan Primary Election to be held on Friday, May 16, 1952, is an ordinance to prohibit all punchboards and similar devices within the city.

### I

## BACKGROUND

### NATURE OF ORDINANCE

Ordinance No. 94552 was passed unanimously by the five members of the City Council on July 10, 1951. The purpose of the ordinance is to make all punchboards and similar devices unlawful in and of themselves, regardless of whether they are a money or merchandise punchboard, a so-called question and answer board or a board played for "amusement" only. To this end the ordinance has employed the broadest language possible.<sup>1</sup>

As the legislative basis for this blanket prohibition, Ordinance No. 94552 recites that "the Council finds that it is in the public interest that all punchboards be prohibited within the City due to the police problems presented by such punchboards." As passed Ordinance No. 94552 contained an emergency clause which stated that the ordinance was necessary "for the immediate preservation of the public health, peace and safety" of the City and was intended to make the ordinance immediately effective after its passage. Any ordinance which contains a valid emergency clause is not subject to a referendum.

In a companion ordinance, No. 94555, passed similarly by unanimous Council on July 10, 1951, the City Council repealed Article 103 of the License and Business Code allowing and licensing "question and answer" punchboards. Ordinance No. 94555 was not subjected to court attack and is presently effective.

### COURT PROCEEDINGS AND REFERENDUM

Immediate enforcement of Ordinance No. 94552 prohibiting all punchboards was restrained by a suit brought on behalf of an alleged "more than 1,000 persons . . . who operate question and answer punchboards, either as wholesalers, consignors or retailers". On November 2, 1951, a special three-judge Multnomah County Circuit Court decreed that the emergency clause contained in Ordinance No. 54552 was void and that the ordinance was subject to the referendum.

The City of Portland has appealed to the Oregon Supreme Court from this decree.

<sup>1</sup>Ordinance No. 94552 provides: "It shall be unlawful for any person to set up, or have in his possession or to manufacture, sell or distribute within the City of Portland any punchboard or similar device either devised or designed for the purpose of distributing money, merchandise or any other thing of value or designed to test the skill or knowledge of a person or used or played for amusement only, or otherwise."

The appeal involves only the validity of the emergency clause and does not involve the validity of the ordinance apart from the emergency clause.<sup>2</sup>

Meanwhile, an organization known as the "Oregon Sales Stimulators" two of whose officers consisted of distributors of punchboards, filed a petition on August 9, 1951 with sufficient signatures to have Ordinance No. 94552 referred to the voters of the City of Portland.

### PREVIOUS CITY REGULATION OF PUNCHBOARDS

Since 1941 the City of Portland has sought, on the one hand, to prohibit certain punchboards by its Police Code and, on the other hand, to license and tax certain other punchboards by its License and Business Code.

By Section 16-1107 of the Police Code effective December 4, 1941, all punchboards "adapted, devised, designed for the purpose of distributing money" were prohibited. At the same time by Article 103 of the License & Business Code, effective December 18, 1941, "question and answer" punchboards were made lawful when properly licensed. A question and answer board was defined to be one where a player pays to punch or draw a question from the board and obtains "an award of merchandise only" by correctly answering (through the exercise of knowledge or skill) the question contained on the slip of paper. Any board which paid any cash or merchandise award upon the basis of a token or number was made unlawful, the only basis for a merchandise award being the ability of the player to answer the question which he punched from the board. The system of licensing under Article 103, as amended, was to require annual license fees to be paid by the three principal groups dealing in the boards (distributors, jobbers and retail outlets) and to require, in addition, a specific license fee for each board depending upon the number of holes therein.<sup>3</sup> Operation of punchboards within 200 feet of a church or a school or by a minor was prohibited.

In 1949 Mayor Lee introduced an ordinance, similar to the present one, to prohibit all punchboards and carrying an emergency clause. This was defeated, as was a similar ordinance introduced by Mayor Lee which did not contain an emergency clause.

### STATE AND FEDERAL REGULATION

Oregon has no statute specifically regulating or prohibiting punchboards. However, Article XV, Sec. 4, Oregon Constitution and Section 23-1001, Oregon Compiled Laws Annotated, generally prohibit lotteries. To constitute a lottery, the Supreme Court of Oregon has many times said that three things are necessary: consideration, chance and prize. Although there appear to be no Oregon court decisions, the Attorney General of Oregon has several times ruled that a straight punchboard (in which it is a pure matter of chance whether the player will receive a prize for the money he has paid to play) is a lottery, and there are decisions in other states to this effect. Contrarywise, a true question and answer board which is based entirely on the skill or ability of the player and from which all element of chance has been eliminated would undoubtedly not be considered a lottery. Such was the legal basis of Article 103 of the License and Business Code. Of course, if in the actual operation of a question and answer board, the "question" element of the board is disregarded and any award is made, whether in money, merchandise or any other thing of value, upon the basis of some number on the slip, then such a board would be deemed a lottery.

The federal government has not sought to directly regulate punchboards until the recent Revenue Act of 1951, whereby a \$50 a year occupational tax must in general be paid by any person who receives wagers and a 10% tax is imposed on the gross receipts of each person engaged in the business of accepting wagers. The Bureau of Internal Revenue has taken the position that these wagering taxes are applicable to punchboards.<sup>4</sup>

<sup>2</sup>The appeal presents several possibilities: If the decree of the Circuit Court is affirmed and the emergency clause held void, then the results of the referendum election on May 16, 1952, will determine whether the ordinance will become law. However, if the decree is reversed and the emergency clause held valid, then the ordinance would not be subject to a referendum and presumably the results of the election would be disregarded. It should be emphasized, however, that the Committee has not made a legal study of these possibilities.

<sup>3</sup>Under Article 103, as amended August 12, 1948, the annual license fees were \$200 or \$300 depending on the category, and the fees on the board amounted to 50c on a board with less than 500 holes and \$1 on a board with less than 1,000 holes, etc.

<sup>4</sup>The office of the Collector of Internal Revenue for Oregon has advised the committee that a total of 399 occupational licenses relating to punchboards have been taken out in the State of Oregon since November 1, 1951. For the month of February 1952, 89 returns for the entire state were filed pursuant to the 10% tax on gross receipts and in March 111 such returns were filed.

## II

PROPOSERS AND OPPOSERS<sup>5</sup>

## PROPOSERS

The author and leading proposer of Ordinance No. 94552 is Mayor Dorothy McCullough Lee, the ordinance being part of her program of strict enforcement of anti-gambling laws. In the passage of this ordinance, Mayor Lee had the support of all members of the City Council and particularly Commissioners Bean and Bennett. There appear to be no organizations who are actively pushing this ordinance, though it should be noted that representatives of the Oregon Temperance League, the Anti-Liquor League, and several ministers spoke on behalf of the ordinance at the public hearings before the City Council.

## OPPOSERS

The principal vocal opposers of the ordinance are those with an economic interest in the continued operation of punchboards: distributors who buy the boards and wholesale merchandise to go with them; jobbers who service the retail outlets with boards and merchandise; retail dealers who handle the boards (such as cigar stands, taverns, drug-stores, etc.); businesses whose product is awarded as prizes (such as candy, tobacco, sporting goods, electrical appliances, toys and novelties); and the trucking business which transports such products.

## III

## PRO AND CON

## ARGUMENTS ADVANCED FOR ORDINANCE

1. **Enforcement** — Punchboards throughout the City are not being operated as true question and answer boards but are being operated as gambling devices paying off on the basis of chance. For the Police Department to prevent this, is extremely time-consuming and costly, for in each instance proof must be secured and made to stick in court that the board "paid off" in an illegal manner. By making the mere possession of any kind of punchboard illegal, the problems and expenses of law enforcement are lessened and proper enforcement can be obtained.

## COMMITTEE COMMENT

Your committee believes this is a valid argument. From its investigation your committee has concluded that at the present time most punchboards in Portland are phony question and answer boards, in that pay-offs of merchandise (and in some instances, cash) are being made upon the number or token on the punched slip rather than upon the answering of any question printed thereon. It's much simpler for the police to be able to confiscate any visible punchboard without having to go through the process of having a vice operator go play the board, obtain an illegal pay-off, make an arrest and then testify in court; and such simplified law enforcement is less costly for the taxpayer. Be this as it may, questions remain whether it is proper to assume that the police cannot enforce the proper use of punchboards less efficiently and effectively than they can other regulatory laws and whether punchboards are a sufficient evil in and of themselves to warrant their control by prohibition rather than by supervision.

2. **Organized Crime** — The money obtained from punchboards as well as from other gambling devices filters back to organized criminal syndicates, whose racketeering and

<sup>5</sup>During its investigation your Committee or its members interviewed Mayor Lee, Commissioner Bean, Chief of Police MacNamara, District Attorney McCourt, Chief Deputy City Attorney Rushing, reporters for *The Oregonian* and *The Journal*, representatives of the punchboard business and merchandising and transportation businesses connected therewith. Your committee also reviewed the record of the hearings on the ordinance before the City Council and made sample inspections of the operations of punchboards at various locations in the city. Through the courtesy and cooperation of the League of Oregon Cities and the Library Association of Portland, a survey was made of the available published material dealing with punchboards."

gangster activities are principally supported by gambling profits. To perpetuate these profits, these gangs infiltrate into local government by controlling candidates and elections and seek the breakdown of law enforcement by payments of graft for protection.

#### COMMITTEE COMMENT

While we are aware of the findings of the Kefauver Committee<sup>6</sup> and of the California Crime Commission,<sup>7</sup> no person was able to present any specific evidence to your committee of any tie-up between local punchboard operators and any national or local criminal element or of any endeavor by punchboard operators to corrupt local law enforcement. It should be kept in mind, however, that a City Club committee has neither the time, the funds, the trained staff, nor the power to subpoena witnesses and to punish for contempt in refusing to answer questions, which would seem essential to any adequate investigation.

3. **"Open-Up" Closed Town** — Since punchboards are popularly viewed as innocuous, they are used in cities where gambling laws are enforced as a means of opening up the city to other forms of gambling and constitute a toe-hold from which other gambling devices can develop.

#### COMMITTEE COMMENT

Once again the findings of the California Crime Commission support this argument,<sup>8</sup> but we have had no local evidence of it, though we appreciate the realness of the possibility. The punchboard operators interviewed by your committee declared that they did not have any connection with slot machines or (with some exceptions) with pinball machines.

4. **Racket** — Punchboards are fraudulently used, either by the deliberate discarding of the board before any or all of the awards have been made or by the punching out of the big prize winning numbers (through a key available to the operator) before the board is put out for the public. Even if honestly used, a board will only return a small percentage of the money put into it, returning a fabulous profit.

#### COMMITTEE COMMENT

A writer in a national magazine has charged that such fraud is "common practice",<sup>9</sup> However, no concrete evidence is available of the fraudulent use of punchboards in Portland, though isolated instances have been reported to members of the committee. It would be strange, considering the nature of the punchboard business, if fraud were not on occasion practiced here as in most other activities.

As to "fabulous profit" being made on each board, representatives of the punchboard business advised your committee that the mark-up on boards as between different groups handling them was comparable with that of other businesses and that the retail outlet made only a small profit off a board and received its principal return in the profit off the merchandise that was "sold" through the board.

<sup>6</sup>"... slot machines are not the only gambling devices from which gangsters and racketeers draw substantial profits. The lowly punchboard has attained the proportions of a major racketeering enterprise in many sections. The committee has had before it evidence that the sale and distribution of punchboards are pushed by methods similar to those used in connection with slot machines. Since this is so, then, just as slot machines are barred from interstate commerce, so punchboards should likewise be barred". Senate Report No. 307, 82nd Cong., 1st Sess. (1951) p. 14. Portland was not among the 14 cities of which evidence was presented of the activities of organized racketeers.

<sup>7</sup>"The Commission details a system evolved by an eastern manufacturer of punchboards to secure a complete monopoly of the punchboard business in Kern County and throughout California by securing protection for its specially 'branded' boards by the payment of graft to law enforcement officials in return for their not permitting other punchboards in the state." Second Progress Report of the Special Crime Study Commission on Organized Crime (1949), pp. 47-52.

<sup>8</sup>"The ubiquitous punchboard is high on the list of money makers . . . in distribution and operation, punchboards have always had a very close relation to slot machines. Punchboards are not merely a money making racket in themselves but are quite commonly used in opening up closed territory for slot machines, and the punchboard business is a not unimportant part of the slot machine racket." Second Progress Report of the Special Crime Study Commission on Organized Crime (1949), p. 34.

<sup>9</sup>Gordon Schendel, "The Punchboard Racket", *Colliers*, February 10, 1951, pp. 11, 12, 13.

**5. Economic Hardship** — Many wage earners gamble away on punchboards their pay-checks with the result that their families go destitute.

**COMMITTEE COMMENT**

The Mayor and the Chief of Police each reported numerous complaints along this line from wives.<sup>10</sup> Undoubtedly family providers have overplayed punchboards as others have gambled away their earnings on horse racing or poker, and others have spent their wages on alcohol.

**6. Moral** — Punchboards are a form of gambling, and gambling is immoral as it encourages people "to try to get something for nothing" instead of engaging in the production of goods and services by which a nation lives.

**COMMITTEE COMMENT**

Your committee deems inappropriate any discussion by it of whether certain activities are moral or immoral. However, it should be observed that gambling is a well nigh universal phenomenon occurring among people of all ages and cultures and that our attitude towards gambling in Oregon as in America seems ambivalent in character: We condemn it and our laws generally prohibit it, yet many of us participate in it and our laws sanction betting on horse racing and dog racing. So churches condemn gambling, yet profit from raffles and lotteries; and our legislature enacts anti-gambling statutes, yet makes it possible for the State of Oregon to participate in moneys bet at race tracks.

**ARGUMENTS ADVANCED AGAINST ORDINANCE**

**1. Licensing** — Since 1941 the City of Portland has seen fit to license punchboards. Having thus induced persons to invest their capital and energies therein, the City Council should not, after more than ten years, suddenly reverse itself and prohibit all punchboards.

**COMMITTEE COMMENT**

Although this argument appeals to our sense of fair play, we would point out that the city licensed only true question and answer boards, not punchboards paying off on the basis of chance. Necessarily, any legislative body has the right to reverse itself if experience proves that a former enactment is unsatisfactory, and any person investing capital in a "licensed" business connected with public morals must do so with the knowledge that times change.

**2. Trade Stimulator** — Punchboards are an effective device for the merchandising of goods and for increasing the sales of other goods and services in the places where they are kept.

**COMMITTEE COMMENT**

This argument appears justified by the facts. From the statements made to the Committee by persons allied with candy, tobacco, nuts, novelties, cardboard box, plastic cover businesses and by tavern and cigar stand operators, it seems evident that a considerable volume of merchandise is distributed via punchboards and that income from punchboards is instrumental in the continued operation of many business enterprises.

**3. Economic Loss** — The complete prohibition of punchboards will cause many people to lose their jobs, and many businesses to lose substantial sales of merchandise.

**COMMITTEE COMMENT**

That an economic loss will result to the manufacturers, distributors and operators of the boards and to businesses disposing of their products through

<sup>10</sup>Schendel writes that "in town after town I've heard of cases proving punchboards can become as harmful and expensive an addiction as any other gambling" and that "in towns closed to other gambling I learned of irate women who complained to storekeepers their husbands had lost their paychecks on punchboards." *op. cit.* p. 13.

punchboards is true. The extent of this loss is hard to measure as no accurate account has been obtained of the number of persons directly or indirectly dependent upon punchboards for their livelihood. One candy manufacturer submitted figures that his sales through punchboard channels have since the time of the passage of the ordinance dropped from \$150,000 to \$50,000 a year and his employees from 40 to 5. A large trucking concern engaged in transporting merchandise from eastern and midwestern sources claimed that as a result of the passage of the ordinance it was losing \$2,000 daily in gross revenue. However, it is doubted if the liquidation of punchboards will seriously affect the economic welfare of the community as a whole. To a large extent money which would have gone on punchboards will be directed into the purchase of other goods and services in the community, which in turn will benefit other businesses.

4. **Revenue** — The prohibition of punchboards will result in the loss of considerable revenue to the City and necessitate the securing of such tax funds from other sources.

#### COMMITTEE COMMENT

Records of the License Bureau show that the following approximate taxes were collected from punchboards: 1948-49, \$97,000; 1949-50, \$70,000; 1950-51, \$32,400. In view of the new Federal Wagering Taxes previously discussed and the apparent effect that they have had in reducing the ranks of punchboard operators, your committee is of the opinion that any future license revenue from punchboards would be substantially diminished.

## IV

### FINDINGS AND CONCLUSIONS

1. If the proposed ordinance is passed, all punchboards will be outlawed and the Police Department will be able to confiscate them on sight. If the ordinance is defeated, the legality of punchboards will be determined by existing state statutes.

2. The Oregon Constitution and statutory provisions against lotteries are sufficient to outlaw all money or merchandise punchboards which distribute prizes on the basis of a number or token punched out (*i.e.* chance).

3. "Question and answer" punchboards, which have in the past been licensed by the city on the basis of not being a lottery (prizes being awarded on the skill of a player in answering a question punched out), are generally being operated today as outright merchandise (sometimes money) punchboards and as such are violative of state law.

4. It is difficult and time consuming for the Police Department to catch operators using their punchboards as gambling devices rather than as true question and answer boards. By outlawing even the mere possession of any punchboards, the proposed ordinance would make law enforcement easier and more effective in the same way that any law absolutely prohibiting conduct is easier to enforce than a law which regulates such conduct.

5. Although cognizant of the national picture as revealed by the Kefauver Committee and the California Crime Commission, no specific evidence was run across by your committee of any tie-up between local punchboard people and any national or local criminal element or of any graft activities. In this connection, however, the very limited investigative facilities of your committee should be kept in mind.

6. With respect to other possible evils of punchboards, there have been various instances where working men had spent their wages on punchboards rather than in providing for their families; and there are said to be instances where punchboards have been fraudulently used, in that the winning numbers have been punched out before the board is displayed or that a board has been withdrawn after it has been played on but before any big prizes have been won. These evils are necessarily impossible of statistical measurement.

7. Punchboards have been an effective medium for the disposing of a wide variety of merchandise and for contributing toward the continued operation of a number of taverns, cigar counters and tobacco stores and in this sense they may be viewed as "trade stimulators."

8. Absolute prohibition of punchboards will result in the loss of certain revenue to the city and will also cause loss of jobs and economic loss to persons in the punchboard business and to others who sell their merchandise through having it awarded as prizes on boards. However, the loss to these groups will in a large part result in gain to other economic enterprises in the city who will be obtaining the money which would have been spent on punchboards.

9. On a moral basis, your committee has found it impossible to reconcile the absolute prohibition of punchboards with the existing statutory sanctions on horse and dog racing.

10. Although the opponents of the ordinance have not questioned the legal validity or unconstitutionality of prohibiting even the possession of punchboards for "amusement only," the committee as laymen have some doubts in this regard, but no legal study of this matter has been made by the committee. "

## MAJORITY CONCLUSIONS

Your committee as a whole has found that the proposed ordinance presents a very close question. In view of the lack of any persuasive evidence of the menace of punchboards locally but of the admitted fact that punchboards are generally being operated in Portland in violation of state law, the committee was ultimately forced to consider the desirability of effectively enforcing the state anti-gambling laws as they are presently enacted. It was principally on this basis that a majority of the committee reached its decision in favor of the ordinance, namely, that as long as we have such laws they should be enforced. Accordingly, a majority of your committee has concluded that the economic or social gains to the community from punchboards is hardly such as to deny to law enforcement officers the advantage of being able to confiscate punchboards rather than to make each unlawful one the occasion for a game of "cops and robbers."

## V

### RECOMMENDATION

A majority of the committee recommends that the City Club go on record as favoring the passage of ordinance No. 94552 and express its approval by voting 500 Yes.

Respectfully submitted,

ORMAND BINFORD

WILLIAM LEVIN, M.D.

ROLAND W. MERSEREAU

ROBERT L. WEISS

DENNIS LINDSAY, *Chairman*

<sup>11</sup>One of the attorneys for the punchboard distributors, who instituted suit to restrain the enforcement of the proposed ordinance, stated in hearings before the City Council that "it is within the power of the Council to outlaw punchboards." Minutes of Council proceedings, Vol. 152, page 151 (July 10, 1951). The City Attorney's office advised a member of your committee that it had no doubts whatsoever as to the validity or constitutionality of the ordinance.

Approved April 25, 1952, by Tom Humphrey, *Section Chairman*, Social Welfare, for transmittal to the Board of Governors. Received by the Board of Governors April 28, 1952, and ordered printed and submitted to the membership for discussion and action.

## VI

### MINORITY CONCLUSIONS AND RECOMMENDATION

In our opinion, the recommendation should favor defeat of the ordinance. It would seem grossly inconsistent and unjust on the part of the public to support special legislation permitting \$2 wagers at horse and dog tracks and at the same time support a special measure to facilitate elimination of 5c wagers in taverns and cigar stores.

Likewise, while leading merchants resort to colossal advertising and merchandising



stunts to move large volumes of unnecessary items, how picayune is the proposal that a sales stimulant in the form of a punch board be outlawed in order to protect a man's pay check.

Further, it would seem no less moral to indulge in the diversion of a lottery in a tavern than at a dog race, private club, or church bazaar.

If the public or its elected representatives are bent on legislating morals it would seem more equitable and effective to re-examine conditions as a whole and take logical and consistent action rather than single out a petty and comparatively innocuous form of lottery for a spectacular crusade.

Therefore, the minority of your committee recommends that the City Club go on record as against the passage of ordinance No. 94552 and express its disapproval by voting 500X No.

Respectfully submitted,

BOB A. FRIEDMAN

DANIEL MCGOODWIN

Approved by Tom Humphrey, *Section Chairman*, Public Welfare, April 25, 1952, for transmittal to the Board of Governors. Received by the Board of Governors, April 28, 1952 and ordered printed and submitted to the membership for discussion and action.

## COMMITTEE REPORT ON PROPOSED AMENDMENT TO CITY CHARTER RELATING TO PROMOTION OF INDUSTRY IN CITY OF PORTLAND

AN ACT to amend the Charter of the City of Portland so as to permit the Council to make appropriations and expenditures from the General Fund to promote industrial growth and obtain additional business and industry for the City and authorizing the City to cooperate with nonprofit organizations or other governmental agencies for such purpose.

### SHALL THE CHARTER BE SO AMENDED?

502 Yes, I vote for the amendment.

503 No, I vote against the amendment.

To the Board of Governors of the City Club of Portland:

The ballot title of the proposed charter amendment encompasses most of the provisions of the measure itself. Your committee, therefore, does not set forth the text of the proposed amendment.

Briefly, the amendment, if adopted, would permit the City Council to expend money from the General Fund for the following purposes:

1. Advertising the advantages of Portland.
2. Assisting private industry in obtaining contracts of business.
3. Assisting new industry to find locations in or adjacent to Portland.
4. Such other promotional activities as the Council may find appropriate.
5. Cooperating with nonprofit organizations or government agencies in carrying out the above purposes.

The measure does not limit the amount that may be appropriated and spent.

According to an opinion of the City Attorney, the Council does not now have authority under the charter to spend funds for the above purposes. It is the intent of the proposed amendment to grant that authority.

The resolution to submit the amendment to the voters was introduced by the Mayor and unanimously passed by the Council.

### SCOPE OF INQUIRY

Your Committee directed a letter of inquiry to the Mayor and to each member of the Council. Replies have been received from the Mayor and Commissioners Bean, Bowes and Peterson. Representatives of the Central Labor Council A. F. of L., Oregon State Industrial Council C. I. O., State of Oregon Commission for Industrial Development, Port of Portland, Chamber of Commerce and Public Utility Companies have been consulted, as

have many persons in their individual capacities. Your Committee has considered readily available statistical material including a volume entitled "Bidding for Industrial Payroll," a study of current methods and results in community advertising, published by the Bureau of Research, University of Santa Clara.

## RESULTS OF INQUIRY

From these sources we obtained many opinions and much information. We did not, however, find much in the way of useful statistics for the obvious reason that the results of industrial promotion are often intangible and not susceptible of proof. Your committee did not attempt, in the short time at its command, to obtain a complete list of all cities exercising the authority proposed by the present measure together with data of claimed results. Such statistics would, in our opinion, have to be weighted by all other factors contributing to industrial growth: labor supply, climate, transportation, natural resources, and distance from markets, to mention but a few, making the task all but impossible and the results inconclusive. So far as cities other than Portland are concerned, we believe it sufficient to state that some cities, which have carried out a program of financial support for industrial promotion, appear to be satisfied with results and intend to continue. Others have been dissatisfied and have discontinued the project, while yet others have not started.

Since the year 1900, Portland has had a continuous, although not steady, growth in population and, generally speaking, the increase in industry has been in proportion. Recent industrial statistics show that since January 1949, Portland has acquired some 215 new industries, capital investment in plant and facilities of over \$55,000,000.00, and that during the period from July 1950 through December of 1951, Oregon received \$158,071,000.00 of prime defense contracts, mostly from the Army and the Navy. Because of these prime contracts, Portland rating 32nd in population, rates 26th in prime defense contracts. These statistics do not present the whole picture for the reason that your committee has been informed that most of the Oregon prime contracts are being performed entirely within Oregon, while on the other hand, Oregon's industries are as subcontractors performing larger portions of prime contracts awarded to industries in Washington and California.

Internal revenue tax collections from Oregon in 1951 showed an increase of 54.3% over those of 1950, while California increased 42.8% and Washington 49.6%. The average for all states for this period was 40.7%. Corporation income taxes in Oregon increased 152.6% as compared with 59% for California, 73.1% for Washington and 66.7% for all states. Statistics were not available for the City of Portland or other major West Coast cities. It is probable that the figures relating to corporate income taxes reflect the trend in industrial income, since most industries do business as corporations. It is also probable that industries located in Portland's metropolitan area enjoyed increased income equivalent to the percentage increase for Oregon.

Your committee found that the following organizations are those which are now and have been in the past engaged in industrial promotion:

1. Chamber of Commerce.
2. Labor Unions.
3. Public Utility companies, particularly the railroads.
4. Port of Portland.
5. Oregon Commission for Industrial Development (recently set up and now awaiting an appropriation by the Legislature).

## PROPONENTS — OPPONENTS

We have not found organized support or opposition to the measure in the sense that organizations are actively carrying on a campaign to influence voters.

The Central Labor Council A. F. of L. has approved the measure, but does not expect to campaign for it in any manner other than making known its stand, through its usual channels, to members of affiliated organizations. At the time of this writing, the Oregon State Industrial Council, C. I. O., has not acted. *The Oregonian* has, in one editorial, supported the amendment. We were informed by representatives of the *Oregon Journal* and the *Oregon Voter* that those publications had not yet studied the measure sufficiently to take a stand.

Mayor Lee and Commissioners Peterson and Bowes, by letter to the Committee, have endorsed the proposal without qualification.

Commissioner Bean stated that the sum of not more than \$25,000.00 had been suggested by the Mayor and says, "I feel that an expenditure of \$25,000.00 by the City for such promotion would not be of any great assistance in obtaining industry and would be, to some extent at least, invading the field now occupied by the Chamber of Commerce. I think the city should cooperate in every way possible with the Chamber of Commerce, and, if necessary, use some of its money for certain phases of promotion which might be carried out by the Chamber. Beyond that point, I think the City government has plenty of problems of its own without going into an extensive promotional program. I think the Port of Portland could much better be prominent in such work."

The Portland Chamber of Commerce, through its Board of Directors, has voted to oppose the measure, but does not expect to campaign against it.

### ARGUMENTS FOR THE MEASURE

All arguments which we have heard for the measure presuppose that the City's participation in promotion will accelerate industrial development of Portland. Arguments most frequently heard are:

1. Portland is lagging behind comparable cities in industrial development.
2. Portland is not utilizing her industrial potential.
3. Portland has failed to obtain her fair share of war contracts.
4. The Chamber of Commerce and other agencies have done an inadequate job of promotion.
5. Industrial promotion will result in greater diversification and concomitant economic stability.
6. Additional industry means additional employment, additional commerce and additional prosperity for the residents of Portland.

### ARGUMENTS AGAINST THE MEASURE

Arguments most frequently heard against the measure are:

1. It is too broad in its terms, and does not limit the amount which may be spent by the Council.
2. Those organizations now engaged in industrial promotion are doing effective work.
3. Portland has been and is now confronted with all of the problems attendant upon a rapid population and industrial growth.
4. Advertising and promotional plans do not bring in new industry.
5. Portland does not have a significant pool of unemployed skilled or semi-skilled labor.
6. Portland's natural growth has been satisfactory because of her well known attractions.
7. Growth in itself is not a salutary thing.
8. Promotion of industrial development is not a proper governmental function.

## CONCLUSIONS

Your committee does not believe that the arguments against the broad terms of the measure or its lack of limitation of the amount that may be spent are valid objections. City charter provisions should grant authority in terms sufficiently general to permit the exercise of discretion by the elected officials. We note that the measure is not one of appropriation or direction, but is permissive only, and would require the passage of ordinances before the activities mentioned could be carried out.

Available statistics do not include the innumerable factors to be considered in judging comparative industrial growth. Portland can be judged only against her own potential, the extent of which, in the opinion of your committee, is at the best an informed guess. We are not prepared to say, on a factual basis, that Portland either has or has not lagged behind industrially, in obtaining defense contracts, or in developing rapidly enough her industrial potential. We believe it apparent that Portland has developed rapidly as an

industrial city and income tax figures indicate a far greater increase for the past year than that of our neighbors.

The activities permitted under the proposed amendment are now being carried on by other public and private bodies. The effectiveness of these organizations is a matter of opinion, not susceptible of factual determination. We have concluded that these organizations, particularly the Chamber of Commerce through its Industries Committee, are active and diligent in promoting industrial growth.

Public, semi-public and private organizations spending money on community industrial advertising are divided in their opinions as to its effectiveness. The results of other forms of industrial promotion can not be measured, and, except in rare instances, demonstrated.

Assuming that promotional activities of the city would increase the rate of industrial growth in Portland, we observe that there are disadvantages attendant upon rapid industrial growth which might well outweigh its assumed advantages. Portland, because of rapid growth, is now faced with many unsolved problems, such as traffic and mass transportation to mention but two. Those problems will be aggravated and added to by more rapid growth. Your committee does not believe that Portland will necessarily become a better city, or that its citizenry will be generally more prosperous as the result of accelerated growth.

The entry of the City Council into the field of industrial promotion under conditions existing in Portland, is not, in our opinion, the exercising of a proper governmental function. A city faced with a dying economy, adversely affecting a major segment of its population, might, perhaps, properly consider such a program. We do not believe that the Council should, at public expense, attempt to accelerate an already rapid growth.

We have concluded that the finances of Portland and the thought and energy of her officials could be better expended in solving present problems.

## SUMMARY

1. Other organizations are carrying out the activities proposed by the Charter Amendment.
2. Portland is a rapidly growing industrial community.
3. Results of municipal industrial promotion are questionable.
4. More rapid growth would not necessarily make a better, more prosperous City.
5. Industrial promotion under existing conditions in Portland is not a proper governmental function.

## RECOMMENDATION

We recommend that the City Club go on record favoring the following vote on the measure: 503 X NO, I vote against the Amendment.

Respectfully submitted,  
 Travis Tyrrell  
 Leo Samuel  
 Oliver Crowther, *Chairman*

In the absence from the city of Leo Smith, *Section Chairman*, Governmental Organization, this report was approved by Allan Hart, first vice-president, in charge of research, for transmittal to the Board, May 2, 1952. Received by the Board of Governors May 5, 1952, and ordered printed and submitted to the membership for discussion and action.