

**HEARING BEFORE THE
COMMITTEE ON THE TERRITORIES
OF THE HOUSE OF
REPRESENTATIVES ON REVENUES
IN THE TERRITORY OF HAWAII**

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in the territory of Hawaii by Various

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424

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U. S. HOUSE OF REPRESENTATIVES

ON

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REVENUES IN THE TERRITORY OF HAWAII.

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COMMITTEE ON THE TERRITORIES,
February 6, 1906.

STATEMENT OF MR. W. O. SMITH.

Mr. POWERS, chairman pro tempore. There is something concerning Hawaii for the committee now to consider.

Mr. KALANIANA'OLE. We have a delegation here to appear before the committee on House bill No. 14015. We do not want to come here in the midst of matters relating to Alaska, but if you are ready to hear us we will be glad to proceed. I shall not waste any time by making a statement. There is a delegation here from the Hawaiian Islands, and I suppose the committee would like to hear from all of them, and I would like to have these gentlemen given all the time they need. I will call on the chairman of the delegation, Mr. W. O. Smith, to introduce the members of the delegation.

Mr. POWERS. I understand that there is quite a delegation here of the leading men of Hawaii in reference to this bill.

Mr. KALANIANA'OLE. Yes, sir.

Mr. SMITH. I reside in Honolulu, where I was born. I am a lawyer by profession. I will state, Mr. Chairman and gentlemen of the committee, that the object of our being here is with reference to this bill, which follows the suggestion of the President in his message, that 75 per centum of the customs receipts and other Federal revenues collected in Hawaii should be set aside as a special fund to be used for public improvements, public buildings, and naval and military defenses. Before speaking further on the subject, I would like to call the attention of the committee very briefly to the location of these islands, as there are a number of the members who have not previously had Hawaiian matters before them. This is the Hawaiian map [indicating map on side wall] showing the Hawaiian group of islands. These islands are situated 2,100 miles nearly southwest from San Francisco. There is a group of four main islands and three smaller ones. It is a too common error in thinking that there is simply one island of Hawaii. It is a group of islands. The largest is down here [indicating] to the southeast, the island of Hawaii, which is 4,000 square miles in area. Then there is here in the Kaieie Channel the island of Oahu, and to the westward the island of Kauai. Honolulu is on the island of Oahu. Honolulu is not on the island of Hawaii. It is the capital city, has the best harbor, and is the center of trade. Next to Honolulu in importance is the town and bay of Hilo, island of Hawaii. It is on this largest island that the volcano is located.

I wanted to call attention to this map so as to show the location of the islands, as it has a bearing on these matters. If we were simply one island and had only one government, the conditions would be more simple. There is a territorial form of government for the whole group of islands and a local form of government for each separate island. This separation necessitates many more officials and buildings and more machinery of government than would otherwise be required.

I will speak, also, briefly in regard to the physical features of these islands. The islands are all mountainous in the interior, and on the island of Hawaii there are two mountains that are 13,000 and 14,000 feet high, where there is perpetual snow on their summits, although we are bordering on the Tropics. Each one of the islands is very mountainous in the center, and it is around the rim, or the edge, of these mountains—the fringe, so to speak, as the land slopes down toward the sea—that the fertile land is situated. These lands are the only ones desirable for residences. This involves a larger expense in the matter of roads and care for public affairs from that very fact—that it makes a very much larger extent of country to travel over to care for them.

Mr. WEBB. How far is it from Hawaii Island to Honolulu?

Mr. SMITH. About 200 miles. It is about 300 miles from the island of Kauai in the northwest to the extreme end of Hawaii in the southeast. They are situated in latitude 18° to 21° north of the equator.

Before annexation Hawaii was an independent sovereign government. The Americans were the first ones to go to the islands. The American missionaries went there first in 1820, and then followed the American merchants and others. A government was organized, and it was gradually extended. It was a matter of evolution and development, it being built up almost for fifty years along American lines. The judicial system follows more closely the common-law system of the State of Massachusetts, because the first chief justice of the islands, when the courts were organized, was a Massachusetts lawyer, and some of the Massachusetts laws were incorporated in ours.

The Hawaiian government was first carried on under Hawaiian chiefs or sovereigns, and finally a Republic succeeded the old form of government in 1893, and from that time until the annexation the republican form of government continued. In 1900 it was organized as a Territory of the United States, and has been carried on since as a regular organized Territory, with a governor appointed by the President of the United States, and the machinery of the government proceeding as before. The whole machinery of government and the conditions there were so essentially American and built on American lines that when Congress came to consider—and this committee in 1900 spent several months considering the organic act—they found the statutes, laws, and system of government so satisfactory that almost the whole body of Hawaiian laws and statutes were reenacted with certain essential and necessary changes to adapt the laws to the new conditions.

Before annexation the little government carried on its affairs. They had public institutions and a system of government which was very creditable. The judicial system, the educational system, and the whole machinery of custom-houses, and all the details of government were carried on; and from time to time very important improvements were made, including expenditures on harbors and wharves, very large

expenditures in opening new roads and in improving and developing a new and better class of government buildings. We were able to do this in the main by practicing economy. Some things were wisely done and some unwisely. We lived almost within our means, and we were able to make these public improvements. We did incur some debt, however, and at the time of annexation there was a little over \$5,000,000 of debt, but that had been accumulating over a number of years, and was represented by substantial and valuable public improvements.

At the time of annexation about one-third of the revenues of the Hawaiian Government was from the customs. All American goods came in free of duty, and other foreign goods paid a duty, and about two-thirds of the revenues was from internal taxation, license fees, and other sources. After annexation, of course, the customs receipts went to the Federal Treasury. We have had about five years of this, and the amount of money received from customs and the amount received from internal taxation still bear about the same proportion, namely one-third and two-thirds, respectively. We have had to keep on maintaining the same government and meet conditions which required larger expenditures than before. At the time the organic act was under consideration, some of the members of the committee who were here then will perhaps remember, attention was called to the fact that we would probably have some financial difficulty because of that loss of revenue, but we have tried it, and have been trying it for five years, and the result has been that—

Mr. MOON. What is the loss on account of the customs duties which are being paid to the Federal Treasury?

Mr. SMITH. Three-fourths—75 per centum.

Mr. MOON. That is what you want. What has been the difference?

Mr. SMITH. One-third and two-thirds.

Mr. MOON. Does the one-third go to the Federal Treasury?

Mr. SMITH. Yes.

Mr. POWERS. Do you mean that two-thirds goes to the Treasury?

Mr. SMITH. No; all the customs receipts go to the Treasury. I mean that about two-thirds of the total revenues go to the Territory. The territorial government has been operating for five years, and public improvements have been attempted, but there has been great difficulty because of the insufficiency of the income. We had to reduce salaries two or three years ago in the legislature in order to try to be as economical as we reasonably could. But we are now confronted with the fact that in order to carry on the really necessary public improvements, and to provide sufficient and adequate schoolhouses, wharves, public buildings, and things of that sort, we have already had to borrow again a little over \$2,000,000, which has all gone into public improvements, and not for the current expenses of the Government; and in looking to the future the prospect is not encouraging. Taxation has been increased, and we are feeling the burden of it more and more. In addition to the property tax and personal tax, we have an income tax of 2 per cent on all incomes over \$1,000; and altogether we find that the burden is rather more than we can carry. We have anticipated this, and we have not complained about it; but after five years of experiment we think that something should be done to relieve the situation.

I do not wish to occupy too much time, because some of the other gentlemen are prepared to speak in detail, but I wish to say this, before they do address you, that we came here at the request of the commercial bodies of Honolulu and Hilo and the Hawaiian Chamber of Commerce.

Mr. MOON. Is the exact purpose of the bill to enable Hawaii to have the full benefit of all of its revenues and to have Congress direct the application of three-fourths of that revenue to the purposes mentioned in the bill?

Mr. McINERNEY. The purpose is this; to have three-fourths of the customs receipts set aside for this Hawaiian fund, and Congress each year during the twenty years appropriate for such public improvements as it shall see fit.

Mr. MOON. Then this territorial revenue—

Mr. McINERNEY. Oh! That is under our own local control.

Mr. MOON. I know. But out of that money which comes into the treasury from custom; you do not control that, do you?

Mr. McINERNEY. No. We do not control that.

Mr. MOON. You want the benefit of that for the islands?

Mr. McINERNEY. We want the benefit of three-fourths of that for the islands, and not to be under control of the territorial government, but to be appropriated by the Government.

Mr. MOON. You want Congress to make an application of the funds, as I understand it, 75 per cent of the funds derived from the customs service and internal-revenue service of the island?

Mr. W. O. SMITH. Yes.

Mr. LLOYD. What is the specific purpose for which you want it? As I understand, you want it for public buildings and military and naval defenses and harbor improvements. Does not the Government provide for those various things now?

Mr. W. O. SMITH. The Federal Government has not provided anything for public improvements except the appropriation of last year for the dredging of Honolulu Harbor, \$400,000 being authorized and \$200,000 appropriated, and the work is now being carried on; and the other \$200,000 is asked to be appropriated this session. But the Federal Government has no buildings there at all. That will be explained more fully by the gentlemen who will follow me. Everything is crowded in the Territorial offices and the court-house and in such buildings as the Federal Government has been able to get. Of course, the custom-house was turned over to the Federal Government, as also the post-office.

Mr. LLOYD. Would not the public buildings that are necessary for the islands properly be provided for in the public building bill that may be passed by Congress?

Mr. W. O. SMITH. Yes; and we have been trying for several years to get the Federal Government to allow us proper public buildings, and have not been able to do so.

Mr. LLOYD. You will find nearly every district of the United States has been trying to do the same thing, and has failed; so you are simply in a similar position to the others in that respect.

Mr. W. O. SMITH. Yes; that is so in reference to the Federal buildings.

Mr. LLOYD. That is what I have reference to.

Mr. W. O. SMITH. But there are other buildings required—educational buildings.

Mr. LLOYD. To what kind of educational buildings do you refer?

Mr. W. O. SMITH. To the public schoolhouses.

Mr. LLOYD. Over the Territory of Hawaii?

Mr. W. O. SMITH. Yes; in different parts of the Territory. The Territory maintains the schools.

Mr. LLOYD. Have you any school fund there?

Mr. W. O. SMITH. Yes; and the Territory has been doing it all heretofore, and if this action is taken the Territory will bear all expense of maintaining the schools, but for building proper schoolhouses we want help. And there are harbors and wharves and other public improvements that ought to be made; more of the public lands ought to be opened for settlement.

Mr. LLOYD. Ought not any river and harbor improvements that are needed be made through the river and harbor committee, on proper presentation to the House?

Mr. W. O. SMITH. The suggestion of the President was that those things be done from money provided by this fund.

Mr. McKINNEY. Do you not take care of your school maintenance and the building of new schools through your Territorial tax?

Mr. W. O. SMITH. We have done it; and a statement will be made in regard to money borrowed for the purpose. We have had to borrow to build schoolhouses because our revenue has not been sufficient. One-third of the revenue we have had before has gone to the Federal Treasury.

Mr. McKINNEY. Under the provisions of this bill; giving you three-fourths of the custom and the internal revenue, would you be able to take care of your schools and your buildings?

Mr. W. O. SMITH. We hope so.

Mr. McKINNEY. And would you also be able to take care of the public improvements that you need there?

Mr. W. O. SMITH. Certain public improvements ought to come out of this fund. There are some we will have to take care of ourselves.

Mr. McKINNEY. Can you give, in round numbers, without trying to be absolutely accurate, what this 75 per cent of the customs and internal revenue would amount to per annum?

Mr. W. O. SMITH. Yes; we have the figures for each year of the last five years; it is between one million and eleven hundred thousand dollars for the last year.

Mr. McKINNEY. That is the total?

Mr. W. O. SMITH. From the customs, a little over a million dollars a year.

Mr. McKINNEY. Then how much from the internal revenue?

Mr. W. O. SMITH. The figures will be presented by one of the others here. The expenses will also be shown—the expenses the Federal Government has incurred during the last five years—and it will be shown that the 25 per cent which is to be reserved by the Federal Government will be more than ample, two or three times more than necessary, for all the current expenses of the Federal Government there.

Mr. McKINNEY. Is 75 per cent of the customs and the internal revenue you ask for 75 per cent of the gross receipts?

Mr. W. O. SMITH. Yes, sir; yes; because the expense of collection and all that would come out of the other 25 per cent.