



Taxpayers Digest

A Publication Specializing in News on Taxation and Advocating Sensible Tax Reform

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Duncan Defends Legislature at Taxsaver Appearance

Speaking before a select audience of Portland taxpayers, April 10, Robert Duncan, speaker of the Oregon House of Representatives, called for better understanding of the problems of the legislature.

At a meeting of the Portland Tax-savers, Inc. at Kellogg school, Representative Duncan said, "Waste and economy and efficiency in government mean different things to different people. We must remember that the democratic process is sometimes capable of producing undemocratic results.

"We cannot guarantee in any human system but only try to set up a goal. We must remember that tax collectors are a part of the human frailties.

"Don't get the idea that all of your tax dollar is wasteful. It is not. There are some things that must be faced. Have you ever gone to the Home of the Blind?" asked the Medford Democrat in a quiet sincere voice at one point. "Have you ever seen the Home for the Deaf or Fairview? This is an important part of the way we have had to spend your tax dollar."

Several times during the fifty-five minute informal discussion, Duncan broke the seriousness of the matter with an infectious grin. "It seems odd," he said in humor, "but nevertheless true that the only good tax is the tax someone else pays."

"And," the father of six children laughed, "if you paid members of the legislature more money, you'd get better people. Not guys like me."

At the beginning of the Southeast Taxsaver Chapter meeting, Duncan appeared tired and occasionally rubbed his eyes. As he progressed, however, he warmed to his subject in a clear concise tone of voice. "I am not against economy and efficiency in government," he said in answer to a question from the floor.

"But we must not cast doubts against our entire system. It is a very human democratic system."

Business Magazine Predicts Tax Boost

The *Nation's Business*, a Chamber of Commerce of the United States publication, predicted that state and local tax bills will climb sharply during the next year. The magazine, which is available by subscription only, told its subscribers that the rise was due to demand for increased state and local services.

"Property tax," say the editors, "is the workhorse and the biggest revenue producer. Some tax authorities feel it still has untapped capacity, particularly where rates are under two per cent of market value." The magazine also noted that increases will be forthcoming in general sales taxes in the 35 states that use them. Income taxes are also scheduled to rise in 32 and some states will turn to this source of revenue.

"Spending," the editors maintain, "is rising even faster. Total outlay may reach \$51 billion this year—\$75 billion by 1970 and will be covered by states' own revenues, borrowing and federal grants."

"To get a perspective on economic importance of state and local governments," says *Nation's Business*, "consider their role as employers. Together they employ more than 5 million full-time civilian workers. That's one of every 12 workers in the nation and gives them a work force almost one third as large as the total in all manufacturing."

Education and highways account for half of the total direct expenditure by state and local governments said the magazine.

Tax Cut Gloomy in 1961—Possible in 1962

To meet added Federal expenditures, the White House and Congress are engaged in looking at various methods by which these costs are to be met. The outlook: higher taxes for you and your family. But in spite of President Kennedy's tax proposals, it will be Congress who decides the issue.

There is evidence that businessmen will be given some tax relief in order to turn the economy upward. This is to provide an incentive such as special tax credit for "extra" or "added" outlays on plant and equipment. Stockholders, however, will be called upon to make up for some of the lost revenue. The odds are in favor of Congress repealing the 4 per cent tax credit allowed on dividend income.

Social Security withholdings, it is nearly assured, will go up to \$150 in January, 1962, a six dollar raise. Employers will be required to match the increase for each one of their workers.

There is another increase in the works. Mr. Kennedy wants more money to pay for a program of medical care for the aged. Key members of Congress say that this will be in 1962, if not 1961. Increases already written into Social Security laws: about \$49.75 in tow years for each worker.

Taxpayers in different situations will also have to face new taxes. Although the gasoline tax is certain to remain at 4 cents a gallon, there will be levies upon other aspects of transportation to finance Mr. Kennedy's highway program. You will pay more for tires and inner tubes as taxes upon these articles are slated to be marked up. Owners and operators of heavy trucks will pay increased taxes on diesel fuel and on operation of the trucks.

There is a possibility that Congress will not go along with all of Mr. Kennedy's plans. It has some theories of its own. (Continued on page 6, Col. 3)

JFK Appointees Favorable To Incentive Taxation

Douglas Dillon, Secretary of the Treasury in the new Administration, recommended, as Undersecretary of State at the inter-American economic conference in Bogota, Columbia, last fall, a tax by Latin American countries on the vast unused private land holdings, which would encourage the owners to make productive use of the land or sell it to the state so that it could be resold on reasonable terms to landless families.

And from the January issue of the Henry George News comes word, contributed by Professor Mason Gaffney of the University of Missouri, that Walter Heller, Chairman of President Kennedy's Council of Economic Advisers, is "very sympathetic to land value taxation and very knowledgeable." Prof. Heller wrote a paper on "The Use of Agricultural Taxation for Incentive Purposes."

Still another Presidential appointee cited by Prof. Gaffney is Rex Whitton, Federal Highway Administrator. Mr. Whitton, as Chief Engineer of the Missouri State Highway Office, spoke last spring to a group in Columbia, Mo., and mentioned, among other things, the desirability of collecting increments to land values to help finance highways, but hesitated to mention this method because he thought it was his own "pet idea."

(From the Analyst, S. F., Cal., Feb. 1961)

JFK Tax Aide Ideas Meets Congressional Fire

On March 22 and 23, Stanley S. Surrey, Assistant Secretary of the Treasury on tax policies, appeared before the Senate Finance Committee. He was questioned on a number of proposed tax changes he had written about in the past.

More closely scrutinized than others, were these five:

1. To tax, as income, the rental value of owner-occupied houses.
2. To tax Social Security benefits as income.
3. To tax a person's capital gains at the time of his death. Present law requires that capital gains in an estate be passed on to heirs completely free of income tax.
4. To tax interest on life insurance policies.
5. To tax the interest on State and municipal bonds, giving the States and cities subsidies to make up for any loss the change would produce for them. At the time, the Senators' manners indi-

cated a stiff opposition to these proposals. Taxation, as a subject, tends to be unpopular with the voters, of which Congress is well aware.

However there is one method by which these changes can be written into law without too much Congressional opposition and voter defiance. That is to include these measures within the same bill which would call for a general tax decrease. By focusing publicity upon the tax reduction, voters would overlook the other changes. Then, within a short period of time, the reduction would be repealed and these measures would be allowed to stand.

WANTED - Tax Inequities

We like to point out what we think is a serious defect in our tax laws. To illustrate, we mention the case of a home owner in Portland whose name and address we have on file. In 1957/58 he was taxed on his home \$137. The following year the tax was \$155, and in 1959/60 it was \$234, or an increase of about 70% within 2 years.

The increase occurred without any basis in improvements, additions or other alterations on his home or in any way connected with his site. Clearly, such a high-handed and inconsiderate procedure can raise economic havoc with any unsuspecting home owner, especially if he has to live on a marginal income.

When he complained about the 70% jump in his taxes he was judiciously advised to better keep still or a new assessment might find that his taxes were to be raised still more.

What we apparently need is a 6% limitation provision for individual property taxes, provided there is no cause for tax increases due to changes in the appraisal status such as improvements, alterations, additions, etc., or when the home is sold.

We would like to hear from our readers who had similar experiences taxwise as the case cited. Names will be kept confidential.

Doctor: "If I find an operation necessary, do you have the money to pay for it?"

Patient: "If I don't have the money would you find the operation necessary?"

It's tough being an American businessman. Every time he comes up with something new, the Russians invent it a week later, and the Japanese make it cheaper.

Tax Group To Incorporate

Corporation papers were filed in Salem last month by a new group interested in taxation and related matters. It is to be called the Tri-County Tax Research, Inc.

According to Wm. Brosy, executive secretary and treasurer for the organization, two projects are already under study. Given priority is a referendum petition requiring 60% participation of voters for the passage of all tax levies and bond measures.

Brosy also told the *Digest* that the group is on record opposing the intention of the city council to charge admission to public swimming pools. "Such a move would be contrary to the larger drive to offer sports and recreational facilities for our children," he said. "Such facilities are needed to help combat juvenile delinquency."

Key officers in the new organization are Charles Gilbert, president; Frank Whitaker, vice-president and William Brosy, executive secretary. An eleven man board of directors is also slated.

An old-timer is a person who can remember when a job was the first thing you went steady with.

A modern man is one who drives a mortgaged car over a bond-financed highway on credit-card gas.

When a wife buys things on credit she is displaying confidence in her husband.

The *Taxpayers Digest* is an independent, bi-monthly, non-partisan publication serving the interests of the general taxpayer. It specializes in news on taxation and advocates sensible tax reform: tax exemption for homes used as homesteads by the owners whose yearly income is less than \$2000—and the placement of taxes where they will hurt the economy the least and from where they cannot be shifted.

Subscription rate is \$1.00 per year for six issues. Commercial and political ads are solicited at \$2.50 per column inch.

The *Taxpayers Digest* actively supports groups interested in problems of taxation and tax savings, and provides a means by which such organizations may reach the general public. Readers are invited to send their opinions to the Editor, *The Taxpayers Digest*, P.O. Box 2506, Portland 3, Oregon, but we assume no responsibility for views expressed by individual contributors.

Editorial staff: Harvey Akeson, publisher; H. James Hotelling, editor; Erick S. Hansch, business manager; masthead design by William H. Gwin, illustrator.

The Timber Tax: ONE GIANT STEP

Erick S. Hansch

Our national policy on natural material resources must contain safeguards and at the same time be fair to those whose livelihood is dependent upon them.

In seeking to formulate a new consistent and effective policy on natural resources it would seem necessary to this writer that the following points should serve as guides:

- (1) An unequivocal and determined declaration that all natural material resources of this nation belong to all its citizens alike.
- (2) Private enterprise should be the logical agent for the development of such resources under conditions which a national resources policy should stipulate.
- (3) Exploitation of natural material resources should be consistent with the best practices of conservation and rehabilitation.

Point (1) hardly needs any further elaboration. It is a self-evident axiom voiced by many, yet never fully implemented by national policy makers.

The realization of this point will be incidental to the conditions under which private enterprise should be allowed to develop and exploit our resources, as discussed under Point (2), as follows:

This writer emphatically takes the position that only private enterprise can develop and exploit natural resources effectively if certain safeguards for their preservation, conservation, and rehabilitation can be established and enforced by our national policy makers.

As one of such safeguards this writer considers the proper allocation of the resources through the pricing system of a free market mechanism.

Another one should be the fair allocation to those who have made their livelihood and economic activity dependent on these resources. The relevant measure should seek simultaneously to avoid the speculative advance of resources costs, since such speculative advance must be considered as a main reason for stagnation in the industry depending on the resource affected.

As examples I cite first of all our land problem. A statement by the U. S. Department of Agriculture released in May 1959 and published on the editorial page of the Oregonian of May 22 of the same year is here quoted:

"Population is increasing, but farm land is limited. Thus, the prospect of a growing population is believed to assure a slow but steady increase in the price of land."

What has here been said about agricultural land can with even greater force be applied to urban sites. House & Home, leading magazine in the home building industry in its August 1960 issue makes the strongest possible case regarding the exorbitant site values as a cause for severe lags in the housing industry. It can be quoted:

"Soaring prices of land is a main reason why the housing industry lags, workers in that and related industries lose their jobs, and economic recessions come repeatedly."

To go on from land and urban sites to our timber resources,

Our state, perhaps more than many others, is largely dependent upon its natural resources. It affects our taxes, the unemployment and the ability to purchase. ONE GIANT STEP was initially a brief prepared by Mr. Hansch and submitted to Senator Maurine Neuberger for consideration in the reformulation of a new national policy on natural material resources. It is presented here for the benefit of our readers, many of whom have expressed interest and concern about the federal and state policy governing our state's resources.

which occupy such a prominent role in the economy of our State of Oregon: the situation here is reflected, though somewhat one-sidedly, by a statement attributed to Mr. Wm. Hagenstein, Executive Vice-President of the Industrial Forestry Association, who said, as quoted by Gerry Pratt in the Oregonian of December 3, 1960, that the Government timber pricing policy has caused the lumber industry to be priced out of the market.

This statement seems plausible enough on its surface. Considerable timber resources are held by the Federal Government and auctioned off as the demand situation may make it appear desirable. The Industrial Forestry Association seems to take the position that the Government is trying to get too much out of its timber holdings to the detriment of the lumber industry.

This writer suggests, however, that the picture, on a cursory inspection of the published timber auction sales data, presents itself rather somewhat as follows:

Basing its estimates on recent previously realized stumpage prices, the Government will set its valuation, and as long as business conditions appear brisk and favorable to auction bidders, large and small, they will drive prices up, often considerably beyond Government appraisals, in the hope of being able to recover the higher prices in a sellers' market.

This process finally brings prices to a point where the market will not absorb them as readily any longer, and the first signs of a slump appear in the industry.

Specifically, the housing industry is most vulnerable because of the simultaneous speculative advance of land prices and stumpage prices. The cost of land has been estimated by housing experts as being now 16% to 18% of the total cost of a home, while ten years ago the land cost was 10% to 12%.

Large timber operators with privately owned timber resources can often adjust themselves to changing price situations because the cost of their resources will generally be lower since they were acquired at a favorable turn of the market. This leaves the small operators without privately owned resources high and dry, and small sawmills are forced to shut down.

These remarks about land and timber resources costs can be extended to other fields such as iron ore, oil, etc.

With a constantly increasing population and a continuously augmenting per capita consumption of most everything, the demand pressure on our limited resources (i. e. limited by nature), rises, which means, according to the law of supply and demand, that prices for them must increase, especially since the cost of the other two factors of production, interest and wages, have institutional safeguards protecting them from short-run numerical decline.

With these steady increases in the cost of iron and steel, oil, etc., the market in these areas again will experience the absorption limit, and the industry affected will lag. Such crises are, as has well been noted, cumulative. Not always clearly observed have been the reasons.

It is therefore suggested herewith that a step be taken which will at once help to allocate our resources properly according to sound economic principles; will prevent the speculative advance of resource costs and thus avoid the periodically recurring recessions and depressions with their concomitant misery and widespread unemployment; will fully acknowledge and implement the principle that all natural material resources

of this nation belong to all its citizens alike; will provide equal opportunity for all in using this nation's resources; will provide Government revenue according to the soundest business principle of benefits received instead of the socialistic one of ability to pay, and thus solve one of the most vexing taxation problems.

It would further automatically provide a sliding scale of taxation in rhythm with the business cycles of this nation, which feature was recommended by Prof. Walter W. Heller of the University of Minnesota in his paper on tax revision submitted to the House Ways and Means Committee in Washington D. C. This recommendation takes on added significance

since Prof. Heller has been appointed by the President to the post of chairman of the board of economic advisors.

The step that is herewith proposed is to collect the rental value of land and of all its natural material resources, in lieu of (many) taxes as Government revenue, and leave improvements largely untaxed.

Since a full discussion of the proposed step would be far beyond the scope of this brief, reference is made to the relevant sources. But this writer feels certain that the people to whom he addresses himself mainly, will be familiar with the economic principles involved, and that he needs only to mention them to bring them back to our national consciousness.

WHY IS TAXATION?

The power to tax is the power to destroy

W. R. B. Willcox

Edited by Erick S. Hansch

Mr. Willcox first wrote his book in 1932 and later revised it. He called it *Taxation Turmoil*, but it could have been written yesterday. Our readers will find that Mr. Willcox had a keen insight in matters pertaining to taxes and sly ribbing humor. Edited by Mr. Hansch who has long been an admirer of W. R. B. Willcox, the *Taxpayers Digest* presents one of the chapters. Other chapters have been selected because of their interest and will be printed from time to time as space and cost permit.

The now familiar income tax was slid into the tax system on the "ability-to-pay" theory. As was to be expected, greater and greater ability to pay has been discovered among smaller and smaller incomes ever since, and the end is not yet. Perhaps one of the cleverest tax inventions by which people have been fleeced is the gasoline tax. It is so plausible. The people who use the roads should pay for them; even though the roads which their tax money builds increase the rent they must pay for locations served by these roads. What could be more fair!

The argument that the tax yield should be devoted to the special service of those who pay the tax was compelling and has won hearty approval. Such hearty approval that both state and federal governments have thought it safe to get money by that device. But the reception with which proposals to devote gasoline tax moneys to "any old" government need are being greeted, should suggest to tax officials, legislators and certain citizens, that it is still too soon to expect people who were won by that argument to forget it.

Let these officials and citizens be patient yet awhile. They have evidence enough that the citizen generally forgets how he has been imposed upon, and has become reconciled to paying more and still more taxes. For the present, the allocation of tax moneys for special purposes seems to have won the people of a number of states to the general sales tax. They agree to such taxes as the gasoline tax for road-building, and the general sales tax for teachers' salaries (which latter a supposedly necessitous "economy" has curtailed) and are misled by the idea of "fairness" involved in taxing the purchaser of any commodity merely for the privilege of buying it. The "fairness" of the general sales tax is emphasized in some states by enacting as little as a fifth of a cent on purchases; purchases so insignificant that none conveniently could yield less. This, incidentally, certainly should make all of the people aware of their obligations to the government.

It may seem ridiculous, even presumptuous, for a layman to venture the observation that scarcely a whiff of the freshening atmosphere of edifying thought has penetrated the subject of taxation within recent decades. Also that no progress toward the solution of problems in taxation has been made within that period of time; unless revolving round and round

within certain narrow, well-nigh universally respected limits can be called progress. Even this progress, as might be expected, seems to have been marked by a continuous and often disgraceful turmoil over who should be made the "goat" in the public's revenue-raising drama. The general turmoil is complicated, also, by incidental scraps over who should be inveigled or brow-beaten into shouldering the big end of the constantly increasing "tax load". However, this layman takes the risk, since he has not much longer to hope for an opportunity to do so, or to testify to his belief in the pretty complete incomprehension of the hocus-pocus of taxation by the public at large.

Taxation gets on people's nerves. To quiet which they resort to sedatives such as tax commissions, tax leagues, tax inquiries, paid secretaries, endless and futile "research", voluminous reports. What waste of time and money! They quarrel about it in the streets, in city councils, state legislatures, the Congress and the courts. Sometimes they stage a real fight over it, like that of the Boston Tea Party and its aftermath. Sometimes, to escape some specially grievous taxation, the people strike, destroying crops, felling fruit trees, razing habitable buildings. Or they refuse, or are unable, to pay the taxes, thereby depriving the government of its life-blood. In such predicaments, the condition requires that transfusions be obtained from private sources to keep the weakened creature alive, until the people become convinced of the error of their ways.

It would be appalling to them could men know of the total resulting destruction of life and property. If these be the bitter fruits of taxation, by what magic do men think to gather from it the sweet fruits of harmonious human relationships? It must have been a long uninterrupted series of evils growing out of an equally long uninterrupted series of tax impositions which gave birth to the portentous saying that, "the power to tax is the power to destroy"; and the seeming inevitability of taxation to the bitter jest about death and taxes being the only sure things in this world—since the condition is world-wide. It is a curious circumstance that so crude and wasteful (and crafty) an expedient for liquidating public indebtedness could have continued into a period in which science has given to mankind the telephone, the radio, the automobile and the airplane. The further mechanical experts delve into the mysteries of these devices, the simpler, the more comprehensible, and the more practical they become. But the more time public officials and so-called economic experts devote to the study of problems in governmental finance, the more complex, the less comprehensible, and the less practical do the policies for which they are responsible appear to be.

In his youth this layman felt that widespread comprehension should follow the published findings of what, he confidently

believed, would be an increasingly scientific study of the subject of taxation by economists, statesmen, public officials and businessmen. But so far as his inexpert observations have disclosed to him, these findings appear to have produced only a denser incomprehension on the part of the people. They seem simply to have added to an already vast accumulation of facts concerning the current state of various taxes, and to have elaborated upon schemes for changing rates, forms, amounts and incidences of taxation. As for the significance of all this, the people appear to be in a dull daze.

Mention of a particular tax, or of taxes as the sum of the unrighteous impositions under which the people stagger, is often fruitful of extended and sometimes of heated argument. On the contrary, the question of the efficacy of taxation as a method of raising public revenue, seems never to seize the attention of the large number of persons who appear to take a lively interest in public affairs. An innocent inquiry or remark in relation to it is likely to be greeted with lifted eyebrows—"Don't you know that people do not talk about that!"—or the polite smile of boredom at feeble humor. Yet no more serious questions confront the nation and the world than these: WHY IS TAXATION? When is it to be taken apart and to be shown

up for what it is? How long is taxation to be allowed to break the backs and hearts of humanity, without the semblance of an effort being made to analyze it by men to whom the populace look for guidance in such matters?

Due to a stolid sense of its inherent iniquity, people generally harbor a deep-seated pessimism with respect to taxes. They are wearied of sight and sound of the word; of the pain they are more or less conscious of suffering on account of taxes; of the political chicanery which they cynically suspect is perpetrated in their name; and of the impossibility of knowing who will be benefited and who will be hurt by their imposition. People are wearied of the fact that taxes never grow less, despite the promises of political candidates for whatever party, and of the fear which experience of their uncertainties engender. Upon everybody's lips, filling column's in the newspapers, taxes constitute one branch of the public's business which evidently no one can fully understand nor intelligently explain. Every one would admit that taxes forever are in a mess, yet no one in authority ever is heard to suggest a way to extricate the people from it. All that ever is suggested is to stir the brew or to change the mix.

Withholdings and Exemptions

Beginning with this issue, the *Digest* will contain a column for news and other information which is not long enough for a straight story. More often than not, it will be a tidbit column, where editor and reader can meet on common ground. Such a column will not (and should not) always be about taxes. Sometimes it may center around a particular function of government; we might even dabble in politics now and then. Who knows?

Reader participation is needed. A post card is sufficient. If you have a gripe or a chip on your shoulder, drop us a line and tell us about it. (Longer letters will be placed in Out of the Mailbag section.)

Friendship is blossoming between Portland's Mayor Terry Shrunk and Joe Dobbins, president of Portland Taxsavers, Inc. Joe received a post card from the other honorable gentleman while said gentleman was in Hawaii. Things are looking up; perhaps we can blame it on the weather—or daylight saving time.

Speaking of daylight saving time, can anyone tell us how the chickens and the cows tell the difference? But then, there aren't many of those creatures in Portland, are there? More two legged politicians, I wager.

Max Martin, secretary of United Business Associates, Inc., tells us that he and his group are busy preparing reports to their members. An unglamorous job, he says, and nothing sensational. The UBA, if you recall, is an organization dedicated to fighting for competitive power rates in homes and small businesses. We had lunch with Max not too long ago, and believe me, they do know what they're

talking about. Dell Buckman is president.

The John Birchers are in trouble. First the press, now the central committees of both political parties in Multnomah County have taken exception. It was a close race, but we believe the Republicans won by a fortnight. Democratic air became a little warm in the discussion for condemning the Society's methods (not its members). One thought being hinted in national press media is that the Society may become a third political party.

Air became warm in offices of the *Digest* the other day. The discussion—we might as well call it an argument, although we didn't draw swords or boxing gloves—centered around disarmament. Your editor maintains that disarmament may be rapidly becoming an illusion while Harvey Akeson took violent exception. Not violent, perhaps, but at least rather loudly proclaimed this was not so. Erick Hansch prevented the match from becoming over-heated. What do you readers say? How about it? We could start something here. A non-violent fire maybe.

Talked with Mrs. Ethel Gould the other day. She's president of the Southeast Chapter of the Taxsavers, and says that nothing very concretely has been planned for next month. By the way, I might add, this good lady could use a little help. The dinner last month was excellent. What more could you expect for a buck?

A memo to Joe: cut your speeches down to size. On the level, don't you think you talk too long about the same thing? Count to ten before you answer. Remember none is above criticism. Sometimes it helps push us up there, though.

Coming in the *Digest* . . . an article about exporting and importing by Erick

Hansch who's doing the research now. Larry Gould advised this, as well as others. We like to hear your reaction, Larry, when you read it . . . Some readers think the *Digest* contains too much about the east . . . exactly which East is not known, east-Portland or eastern United States. The only answer one can give is that easterners, whether they be in New York or Park Rose are more prolific. Westerners seem to like to keep their mouths shut and pens in the desk. Jim Schoppe is working on an article for the *Digest* about the taxes in Washington State . . . watch for this . . . it oughter be good.

Your editors are thinking about a super-duper anniversary issue . . . if costs can be met. If it does come about, the issue will contain an analysis of Land Taxation by Harvey & Erick. First draft is completed . . . also to be included, an article pertaining to organization responsibility by your editor. Also we are endeavoring to pick up some big names, State-wise and Local-wise, to write an article or two. Portland won't be neglected . . . the Memorial Coliseum will be reviewed as well as plans for a Sports Arena.—Jim Hotaling.

Morse Files Tax Repealer

Sen. Wayne Morse, D-Ore., has introduced a bill in the Senate to repeal the 10 per cent excise taxes on passenger travel and local telephone service.

Morse said the taxes, which were imposed to help pay for World War II, were unfair to those who had to pay them and a heavy burden on the industries they affect.

Even when opportunity knocks a man still must get up off his seat to open the door.

Inflation, Recessions, and Unemployment Are Interlinked With Taxation

Our readers may wonder why we want to discuss in these pages problems that seem so remote from the chosen topic of taxation. However, there are two main reasons: first, we have some very definite if unorthodox views on these subjects, and secondly, we feel that the problems of taxation have many facets that are directly affected by our economic well-being. Conversely, it has been argued that tax measures should be used as attempts to stimulate a lagging economy.

As a lead-off for our discussion we quote from a recent editorial in "House & Home", leading magazine in the home building industry. It points out that the soaring price of land is a main reason why the housing industry lags, workers in that and related industries lose their jobs, and economic recessions come repeatedly.

In 1957, the editorial says, the home buyer paid up to \$1000 more for land than in the previous year, and in return got a less desirable lot farther out—because land speculators discounted the next 10 years' rise in land values and pushed land prices up through the roof.

"Let's stop being so cozy with land speculators," the editorial urges. "Let's not pay 1970 prices for 1960 lots. Let's recognize the land price speculator as our Public Enemy No. 1, who sits back and takes big profits first while the developer, the builder, and the realtor do all the work—the enemy who did more than anyone else to price our product out of the market."

"The one best way to stop land price inflation and squeeze out some of the past inflation," the editor of the home-building magazine declares, "is to get together and fight to put more of the tax load on land and less of the tax load on improvements. This shift might make it too costly for speculators to hold good

home sites idle, hoping to squeeze us for still higher prices later on."

"Higher taxes on land would hurt no one but the land speculators. Higher taxes on land would permit lower taxes on houses and other improvements. Higher taxes on land are the only taxes that would help bring prices down instead of pushing prices up. Higher taxes on land are the only taxes that would stimulate production instead of discouraging it."

And—we would add—taxes on land cannot be shifted to others, they rest squarely on land and must be paid by the owner.

What the House & Home editorial says about soaring prices of land as a main cause of the lag in the housing industry with resultant unemployment, can with equally good reason be made out for almost any other industry also. As an example we would cite the timber industry which occupies a prominent place in our own State.

For one who follows only cursorily the timber auction sales data published in daily papers, the definite impression is gained that the timber industry prices itself out of the market. Prices at these auctions are driven up by all bidders, large and small, as long as market conditions seem to offer a chance to recover the higher bids. Then, when the market refuses to absorb the constant price increases, the timber industry comes to a grinding halt.

Large operators that own private stands of timber can get back into the market by lowering their prices, while the small sawmills that depend on the speculatively inflated resources must fold up. Sensible tax provisions would tend to equalize resource costs for large and small operators, and most of all prevent senseless speculation, thus bringing about conditions of a steady market and continuous employment of its workers, except for seasonal lay-offs.

New Tax Look Forced

In Chicago . . . in Pittsburgh . . . in Kansas City . . . in newspaper articles . . . at professional meetings . . . in hallowed halls of ivy . . . in down-to-earth council chambers—in many ways and many places, a new device is turning up in the fight to eliminate slums and preserve and promote good housing. What it amounts to is an ingenious use of public taxing power.

Urban renewal, perhaps more than any other force in operation today, has been responsible for the new look at taxes. The big payoff to the slum operator who, in effect, lets the fellow keeping a better house pay the tax bill; the lack of dollar incentives for new construction; the penalty in higher assessments that those who fix up and paint up pay; the high price tag on public acquisition of slumlands—these are some of the incongruities that have been brought into sharp focus by the city rebuilding drive.

The urgency of rebuilding America's cities and the need to eliminate those hurdles that have been slowing the pace of progress have dramatized the fact that it may be time for a change in tax thinking. (From the Journal of Housing.)

TAX CUT - 1961

(Continued from page 1)

own. One will be to tap the Treasury's general fund for part of the highway cost.

For the self-employed businessman, Congress will not go along with the idea to let self-employed people lay aside some income, tax free, for retirement unless the White House gives more than half-hearted approval. Some tax experts however say that the outlook for this will change in 1962.

Administration planners are also looking at long range views. These advisors say that taxes can be a method whereby control of the economical condition of the country can be exercised. In this respect, President Kennedy's advisors can be expected to take a good look at tax laws and call for a wholesale revision—to get rid of all sorts of deductions and special exemptions and to tighten regulations all along the line. This can be expected in 1962 or 1963 and will be in a package that will include drastic rate reductions for many taxpayers. Exactly which taxpayers is not known, but it is a good bet the homeowner will not be one.

The easiest way to teach children the value of money is to borrow from them.

THE TAXPAYERS DIGEST

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