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"All schemes for securing equality in the conditions of men by placing the distribution of wealth in the hands of government have the fatal defect of beginning at the wrong end. They presuppose pure government; but it is not government that makes society; it is society that makes government."
(HENRY GEORGE, "Protection or Free Trade")

State Tax "Reforms" Passed-And It Will Get Worse

The California Legislature passed only a few "reform" bills last year at the demand of special interest lobbyists, but next year may get even worse.

The extraordinary legislation of 1971 under which sales taxes were levied on fried chicken, tacos, pizza, hamburgers and other take-out foods, with candy and chewing gum being exempted from sales tax, is easily comprehended by any Capitol visitor who has noticed the great awe in which legislators hold representatives of any powerful special interest (including our big chewing gum and candy manufacturers) and the contempt in which they hold any stingy constituent who has not contributed substantial campaign contributions.

Owners of valuable racehorses were given a property tax deduction, while the State's tax bite on racetracks was reduced and the track owners' share increased. And now we must pay sales tax on top of our gas tax!

Liberals Support Regressive Taxes

So-called "liberal" legislators joined Governor Reagan in enacting the above-mentioned financial monstrosities. And what is ahead may not be any improvement.

State Senator Dymally and Assemblyman Ralph, representatives of the black populated and financially deprived areas of Watts and surrounding blighted lands in Southern Los Angeles, are sponsoring State Lottery bills, which will raise huge sums from their low income constituents.

Assemblyman Foran's Assembly Bill No. 1 seeks a constitutional amendment allowing lower property tax assessment rates for single family homes than for other real estate. Such legislation thrives on the conception that all homeowners are poor and all businessmen are rich. There is little reason why the owner of a mansion in Bel Air, Tiburon or La Jolla should have a lower assessment rate than the owner of a mom and pop grocery store in a ghetto neighborhood.

5 Year Improvements Exemptions

Property owners would get a tax exemption of \$3,000 assessed valuation a year (\$12,000 true value) for five years for making improvements which increase the value of the property, under a proposed Constitutional amendment introduced by State Senator Marks of San Francisco. Such a tax exemption on new construction was urged a few years ago by Governor Reagan in a speech before a state convention of homebuilders.

Similar legislation was enacted in New York City after World War I to overcome a critical housing shortage. (The New York law exempted all new improvements from taxation and caused a great boom in apartment house building.)

We doubt the justice of letting owners of newly improved homes pay less taxes than owners of no more valuable homes across the street. But the Marks Bill shows that at last a little light is being seen, although "as through a glass, darkly", to quote from the Bible.

Watson Amendment Threatens Big Tax Hikes On Incomes, Consumption

Legislators fear that if some bill labeled "tax reform" is not enacted the voters may be so confused as to vote for the ill-considered Watson Initiative Petition, which would severely limit property tax levies, and greatly increase taxes on sales consumption. Under the Watson proposal sales tax would increase to 7 cents on the dollar, liquor taxes from \$2 to \$2.50 a gallon, and cigarette taxes from 10 cents to 20 cents a pack. (In New York City cigarette dealers claim that they are being forced out of business by the total 20 cents tax paid there, with black marketeers and cigarette "bootleggers" getting the business.)

Watson Amendment supporters proudly proclaim that their bill imposes a severance tax on all minerals and hydrocarbon substances. However, each prior year's property tax payments may be deducted from all severance taxes paid—so there will be little if any severance taxes ever collected.

The Watson supporters state that under the Watson bill banks will have to pay a 11% income tax. Inasmuch as banks now pay a 11.6% income tax we

doubt if the reduction will hurt them very much.

The Watson people also speak of the big 11% net income tax to be levied on insurance companies. They do not mention the fact that the current 2.35% gross premiums tax now in force on insurance companies would be repealed by the Watson Bill. It is estimated that the insurance companies will pay \$147 million less every year due to this tax shift!

Under the Watson Bill, Pacific Telephone will save \$57,563,000 a year, Pacific Gas & Electric \$46,625,000 a year, Southern Calif. Edison \$8,000,000 a year, and Southern Pacific \$10,359,000 a year, according to a survey by the Assembly Revenue & Taxation Committee staff. Lockheed would save \$10,800,000 in Los Angeles County alone.

Ben Weingart, part owner of the Consolidated Hotel Chain has already contributed \$75,000.00 to finance the Watson amendment, and the California Real Estate Association, and the Calif. Farm Bureau, which represents the biggest corporate farms, have pledged major support.

In short, the Watson amendment is admirably drawn so as to offer the most to those who need it the least.

National Sales Tax Pitch Continues

In the meantime, back at the old Washington, D.C. stand, President Nixon is again pushing for his "added value" tax. Administration strategists believe that if they tie these sales tax proceeds to grants to local school districts, Democrats can be convinced that they acted as "liberals" in voting affirmatively. We ancient ones remember that the sales tax was first introduced in California as a "temporary" device to solve the school financing problem.

Let us hope that consumer interests are not completely forgotten. When Holland entered the European Common Market, the ECM management forced it to adopt an added value tax so that it would not have an "unfair" advantage over other Common Market nations. The Dutch costs of living index immediately increased 8%. And of course the true test of added value tax cost inflation is in Russia, where it is practically the only tax used, outside of a trifling income tax.

Heavy campaign contributions may come to the Presidential candidate pushing hardest for a tax shift. Property owners in the industrial enclaves of Commerce, City of Industry, Vernon, Cudahy, South El Monte and about 30 others in Southern California now pay no city property tax at all, but high school property taxes to unified school districts in which they are included. Since very few people live in these industrial towns, they see little point in improving schools. And a shift to national subsidies of local schools will be as welcome as the flowers in May.

The cost of political campaigns being what they are, neither party is going to disregard the demands of big land operators for their version of "tax reform". The campaign of Nixon's probable opponent, Senator Muskie, is being managed in Southern California by Paul Ziffren, close friend of the Watson Amendment's Phil Watson, while on the Muskie finance committee is Mark Boyar, the biggest contributor to Watson's previous campaign to reduce the property tax. Both men are closely involved with "the big deals".

And somehow the little fellow always gets dealt out when the big deals are dealt.

Short Shots With A Spiked Cannon

Justice Department Report Opposing Oil Quotas Suppressed?

Oil import quotas have no effect on national security, according to a report of the Antitrust Division of the Justice Department, which Senator Proxmire (Wis) claims was suppressed shortly after its issuance. The report, which allegedly advised President Nixon to abolish import quotas, was reportedly distributed to Secretary of Commerce Stans, Secretary of Interior Morton, and to other high U.S. officials, but recalled 2 days after its issuance by Peter Flanigan, Special Assistant to the President.

Complaining of the report's suppression Proxmire stated:

"All those who have examined the program agree that oil-import quotas are not working, and yet the program is continuing to cost the American taxpayers more than \$5 billion a year through higher oil prices."

We might like to suggest that a further look be cast at the State oil imports found in Texas, Oklahoma and other semi-autonomous principalities where oil producers are bound by State-imposed quotas as to their total production to "stabilize" (political synonym for increase) local oil prices.

Millions For Tribute-Means That Taxpayers Pay High Price For Tuna

Ecuador is continuing to seize American tuna trawlers, encouraged by the collection of \$2.5 million fines levied on the U.S. boats for violating Ecuador's 200 mile limit. In a strange strategy, our government forbids the tuna fishermen to pay the license fees demanded by Ecuador, which average \$8,000. Instead the U.S. Government pays the heavy fines,

which are enriching the Ecuadorian treasury. Japanese tuna fishermen pay the license, and still make good profits, since a good catch may bring as much as \$200,000.

Iceland, noting that official piracy can bring about a fat bankroll, has increased its territorial limit to 50 miles, bringing screams of anguish from British and German fishermen who have threatened to "fight this tooth and nail."

A beautiful conflagration would result if nations in the crowded areas of the Mediterranean, North and Baltic seas adopted a 200 mile or even 50 mile limit.

Logic would seem to dictate that the U.S. refuse to pay a penny for the tribute if it considers it unjust, particularly since most American taxpayers find it hard enough supporting our own Federal follies without going deeper in their pockets to pay for South American extravaganzas.

On the other hand if land boundaries are determined by force, there is no reason why oceanic limitations should be adjudicated peacefully.

And although a 200 mile limit seems outrageous on first blush, it might at least keep the humble Russian fishermen, with their millions of dollars of radar and photographic equipment, restricted to more friendly hunting grounds.

IRS Taxes Political Gifts, If Not Made For Financial Gain

The 5th Circuit Court of Appeals has held that one Edith Stern of New Orleans owes no gift taxes on political contributions of \$61,000 made to political candidates in Louisiana, on the grounds that they were made to "pro-

tect my property and personal interests by promoting efficiency in government."

The Internal Revenue Service has decided to exempt gifts made to political candidates where they are made as an "economic investment", in the 6 states covered by the 5th Circuit Court jurisdiction.

In short, if you can show that by a political contribution you can cause a legislator to pass laws that will profit you financially, you need pay no gift tax. If you make a contribution merely because you think the candidate would benefit the whole public, you must pay a gift tax.

There are State and Federal laws against paying money to influence legislation, but evidently the 5th circuit and the I.R.S. have not heard of them.

Vacant Farm Land To Be Doubly Subsidized By Federal Government

Farmers now being paid for not growing wheat, feed grains or cotton will receive additional monies for allowing city folk to hunt or trap animals, fish or hike on the idle land, according to the latest program announced by Secretary of Agriculture Earl Butz. The pilot project will cause payment to 50,000 farmers by the government an average of \$300 per year, to be operated in 10 states, with others to follow if this brainstorm proves successful.

We see no reason why this most brilliant of land use projects should not be pushed to its logical conclusion.

Farmers coming to town for recreation often are unable to find available hotel rooms at a reasonable price. We suggest that the Federal Government pay owners of urban property to

keep it idle, and make further payments to lot owners allowing farmers to sleep overnight on their property. This will keep the balance of payments even between urban and rural areas, and further our "open space" conservationist program beyond our wildest dreams.

\$112 Million More In Luxury Liners Down The Oceanic Drain?

7 U.S. transatlantic passenger ships, built with the aid of \$112 million in federal subsidies will soon be permanently shelved, if a bill unanimously approved by the House Merchant Marine and Fisheries Committee passes Congress. 5 of the luxury liners would be sold to foreign shipping lines. One would be made into a vacation cruise ship, and the 7th would be moth-balled against future needs by the Commerce Dep't, if the bill passes, as expected.

When the subsidies were accepted the shipowners agreed not to sell the ships to foreign owners until they were at least 25 years old. The bill would waive that clause. In the meantime the 7 ships have been out of transatlantic service since 1968, by reason of competition from airlines and foreign shippers with much cheaper labor costs. The shipowners claim they must pay \$6 million annually to maintain the idle ships. But Joe Curran, President of the National Maritime Union says that sale of the 7 ships would deprive the maritime unions of thousands of jobs.

Rep. Garmatz (Md.), a bill sponsor, says that proceeds of the foreign sale will provide funds to build 6 new cargo vessels. We wonder what the subsidy will be for the 6 new ships and when they too will be sold at a discount to foreign competitors. At least this will keep our expensively subsidized shipyards in operation. (Please don't ask why.)

Federal Grants In Aid To Be Increased?

The Administration's increasing adherence to the Federal grant-in-aid theory has caused one of Insight's staff of incompetent poets to come up with the following:

A congressman in our town,
Set out to win renown,
Fighting, spending and inflation,
All to bring our taxes down.

We voters rallied to his side,
Pledged loyalty without fail,
We asked just a new yacht harbor,
On which our boats to sail.

The first vote for our yacht harbor
Gave Congressman McVeigh;
And a vote for higher farm supports
Got traded on the way.

Big help for our yacht harbor
Came from Senator Sam Slade,
And a big dam in the desert
Was all he asked in trade.

The key vote for our yacht harbor
Gave Congressman Jack Brown,
And all he wanted in return,
Was to redevelop his home town.

Taxes still soar skyward,
The standard of living's down;
But a lovely, brand new yacht harbor
Now beautifies our town.

Throwing grant-in-aid before
our Congressmen is like throwing a
bunch of bananas into a cage full of
monkeys.

Wage Freeze? Not For Federal Employees.

Recent Federal pay boosts will add \$2.2 billion to the annual Federal tab, with U.S. government typists, file clerks, stenographers, and en-

gineers now getting considerably more than their average counterparts in private industry.

Nor will our soldiers make out too badly. A Sergeant First Class now makes \$10,757 per year, excluding what he can pick up on dice, cards and petty graft. Since food, clothing, medical expenses and board, together with many other expenses are free, a thrifty sarge should be able to save enough each year to afford him a mansion, limousine and yacht upon retirement after 30 years.

We personally feel that military efficiency would be best achieved by payment on a commission basis, according to the number of enemy scalps gathered, as in the early days of civilization. We have met unexpected opposition as to this reform.

What's To Believe About The Calif. Farm Situation?

Are small farmers doomed for extinction in California? Are large corporate farms truly more efficient, or are they just favored and perverted by special legislation?

There are experts on both sides, so you pay your money and you take your choice.

"Corporate feudalism" is emerging in California. Senator Adlai Stevenson (Ill.) announced prior to holding Senate Committee hearings into California agriculture:

"Large landowners and giant corporations reap most of the profits from farming and real estate appreciation."

At the hearing witnesses testified to the reduction of total farms in Calif. from 108,000 farms in 1960 averaging 359 acres each, to only 56 000

farms in 1970, averaging 654 acres each. U.S. Dept of Agriculture figures showed that 45 corporations control 61% of California's prime farm land.

The small farmers are just as efficient as the big ones but are discriminated against by tax, credit and subsidy policies which favor the larger holdings according to one witness.

Berge Bulbulian, owner of a 150 acre grape farm in Sanger, near Fresno said:

"Put the giant corporate farms on the same level we family farms operate on and we will see who is efficient and who is not. There is no way a large concern with various levels of bureaucracy and managed by absentee owners can compete in terms of true efficiency. I as a small farmer, am the manager, personnel director, equipment operator, bookkeeper, laborer and welder."

But small farms are not economical, asserted a recent article in the Sacramento Bee. The article quoted Sacramento and San Joaquin Valley bankers as stating:

"What was an economical unit 5, 10 or 15 years ago is now losing money. The day of the farmer with 40 acres, a tractor and a few implements are disappearing as rapidly as the mom and pop grocery store."

The Bee stated that "farm economists" figure 80 acres as a minimum unit for vine and tree crops, with the land cost approximately \$150,000 with a \$30,000 to \$45,000 down payment needed.

The Bee article also quoted Edward Yeary, University of Calif. farm advisor as stating:

"Experience has shown that as a rule only large units can be farmed efficiently. The days of the family farm—that is 4 people making a living on 60 acres are almost surely numbered."

Conflicting Opinions On 160 Acre Irrigation Water Limitations Also Voiced

Diverse opinions were also voiced at the Stevenson hearings as to the 160 acre limitation on Federally subsidized irrigation water.

John Henning, Executive Secretary of the California AFL-CIO Labor Federation, advocated enforcement of the 160 acre limitation, claiming about 900,000 acres now receive subsidized water in excess of the 160 acre legal limitation.

Jerry Fielder, State Director of Agriculture opposed enforcement of the 160 acre law. He stated:

"A whole economy has developed around a lack of enforcement."

And back in the old courtroom we have further confusion regarding the 160 acre limitation. Judge William Murray, a visiting jurist from Montana sitting in Federal District Court in San Diego ruled that absentee landowners in the Imperial Valley could not receive Colorado River irrigation water because they were not genuine residents of the District. This ruling may affect up to a quarter of a billion dollars worth of land, including farms held by such humble farmboys as Dow Chemical, United Fruit, Purex, Kaiser, and the Irvine Land Company.

The San Diego action was brought by Dr. Ben Yellen, an aging, ailing, irascible physician, who spent the latter part of his life fighting the domination of the Imperial Valley by corporation farmers. In return he has been boycotted, beaten up, and banned from all respectable homes in the Valley.

However a ruling by Judge Howard Turrentine in a different San Diego District Court held that 800 large landholders were not affected by a different aspect of the acreage limitation law. Both cases will be heard by the Ninth Circuit Court of Appeals soon, in a decision which will settle the economic life of the Imperial Valley, and a lot more of California. (Don't bet that the 9th Circuit Judges won't get a lot of phone calls from their friends before their decision!

Is Irrigation Really Necessary?

Many experts claim that irrigation is the most wasteful use of scarce water, especially since a good part of the irrigated crops are surplus under U.S. farm subsidy policies.

The state's supply of irrigated water for large tracts was attacked by Assemblyman Leo McCarthy (San Francisco) recently at a hearing held by the Assembly Planning and Land Use Committee.

John Teerink, Deputy Director of the State Department of Water Resources said 85% of developed water resources in California now goes to agriculture. Teerink stated:

"We don't get into value judgements on whether it is best to irrigate or not."

Assemblyman McCarthy stated he was against the "natural assumption that we are just going to continue pouring this water into more irrigated land use and not consider other uses", (such as domestic consumption and recreation.)

L.A. Times staff writer Phil Fradkin quoted Assemblyman McCarthy as asking Teerink: "Is unlimited water for unlimited agriculture your policy."

Teerink's reply was: "Yes."

DINNER AT THE PRESS CLUB!

The Alumni Group Committee have decided against a Saturday Seminar and Banquet. Instead, their choice was a somewhat more cozy Dinner on a Friday night with lots of fun and good fellowship.

So it will be 8 pm on Friday, February 11th at the Los Angeles Press Club, located one block North of the Hollywood Freeway on Vermont Avenue. The cost for the famous Press Club Buffet will be just \$5 (or \$9 for a couple).

We shall gather for cocktails and/or talk at 7 pm. After we've eaten, plans for the coming School year will be discussed. HARRY POLLARD will report on the exciting High School Program. Stanley and Marion Sapiro will be passing on the "Hermie" to the 1972 Georgist of the Year, who will be ...?

It is important for us to know you are coming. Please take a moment to call (213) 352-4141 and reserve, or drop us a note.

See you at the Press Club!

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