



"Specializing In News On Taxation, Advocating Sensible Tax Reform"

Vol. III

PORTLAND, OREGON—JANUARY - FEBRUARY, 1962

No. 1

## MAYOR PROPOSES DEVELOPMENT PROGRAM

In his annual report to the City Council, Portland Mayor Terry D. Schrunk has declared the city needs millions of dollars in improvements and made 24 recommendations for betterment of the city and metropolitan area.

Foremost of his recommendations is the suggestion that Portland acquire Multnomah Stadium as a temporary measure to perpetuate sports activity here. Another costly recommendation was the suggestion that the voters put the city into the mass transit business. Lesser suggestions made by Schrunk was that more money be approved for civil defense and hydroelectric project at the city's Bull Run waterworks.

### Payroll Tax Put Forward

The Mayor's report also included an ambitious capital improvement program, beautification of the city, consolidation of city-county government, and possible new sources of revenue, including a payroll tax.

Purchase of Multnomah Stadium would be a temporary measure pending construction of a new stadium, the mayor suggested.

The mayor also suggested that a block of property east of City Hall be purchased to extend the park blocks.

He said it was with "considerable reluctance" that he came to the conclusion public ownership is the only alternative Portland has to an eventual loss of its mass transit system.

About the Stadium, Mayor Schrunk said, "It would be a tragic mistake for this metropolitan area to be without such facilities." He said Multnomah Stadium should be acquired "despite all its shortcomings in order to insure the continuation of adequate facilities." He did not specify what the city would do with the Stadium once construction for a new one was completed.

The mayor's recommendations were:

Authorize the city to engage in mass transportation and provide funds to acquire and operate such a system.

City and other governmental units cooperate to establish a new agency to operate mass transit on a metropolitan

basis.

Support a reduction in the number of Oregon counties.

A consolidated city-county government.

Prior to that, consolidation of overlapping city and county public services.

Continued improvement of port's cargo handling facilities.

Early development of the River Gate area in North Portland for industry.

Labor and management combine efforts to keep waterfront activity free of labor strife.

Continued annexation program.

City resist tax inequities between city and suburban dwellers.

Immediate reactions to Mayor Schrunk's recommendations were ones of caution and pessimism. One member of the Council said he doubted if the voters would approve money for the Stadium and another voiced doubt about the mass transit program. Civic groups for the most part were silent and said that a detailed study was necessary before comment.

## UBA Hits Power Profits

The Digest reported in the January 1961 issue on the United Business Associates, Inc., of Portland, and their fight for lower competitive power rates in our area. We have now received their January 1962 Bulletin which publishes an interesting table of profit comparisons for different branches of industry, taken from Federal Reserve and Federal Power Commission releases for 1960.

This table shows an average of 5.9% as the profit rate for all manufacturing, while electric power had a net profit of 17.9% of sales, which is the highest rate in the entire table. Wouldn't we all like to make 17.9% on our investments?

According to the Congressional Record of August 7, 1961, the private power companies are now fighting for the exclusive rights on patents concerned with power from nuclear reactors, and which patents were developed with taxpayers money. The government wants to keep the use of these patents free of royalties for all industrial users.

## Portland Taxsavers Activities Still Vigorous

The January dinner and business meeting of the Portland Taxsavers showed renewed interest and action. A lively discussion developed concerning municipal ownership of the city transit business.

A strong resolution was adopted unanimously to oppose city ownership at this time and under conditions that can only be termed inimical to the taxpayers' interests.

"The Taxsavers do not want the city to be saddled with obsolete and run-down equipment at a price far beyond its actual value, with routes and schedules designed to serve only special interests, and with over 300 pensioners dependent on welfare hand-outs," said one of the board members.

A request to have one of the officers of the Portland Taxsavers serve on the committee which is writing up the ballot measure for the city was turned down by the mayor's office.

Criticisms of the handling of the transit problems by the city council were voiced by several members. One of them said that there are financial groups familiar with city transportation problems in San Diego, California and Ogden, Utah and possibly others who would like to have an opportunity at bidding for this service business, but that none have been invited or admitted. Also criticized was the city's soft attitude allowing the service be split up into the very profitable freight business and the less profitable passenger service, with the resultant closing of a much needed service on the Bellrose and Milwaukie-Oakgrove lines.

The policy of the Oregon Public Utilities Commissioner, Howard Morgan and Jonel Hill, has been to oppose repeated attempts by the railroads to separate such services. A pending court decision in this connection is awaited with much interest.

An incidental remark by one of the board members of the Taxsavers brought out the reason why the traction company changed over to gasoline busses several years ago: it allowed the company to get out from under the regulatory supervision by the Public Utilities Commission. "This resulted in the smelly and noisy rattle traps we now have here," commented one member.

A further criticism was made of the city council's neglect to include in the franchise a provision to have the transit company set up a pension trust fund. The pensions now have to come out of the company's daily income from the fare boxes.

(Continued on page 4, col. 3)



The **Taxpayers Digest** is published bi-monthly by **Tarpayers Publications**, a non-profit organization devoted to publishing tax news in the interest of the general taxpayer.

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. It holds that homes used as homesteads by the owners whose yearly income is less than \$3,000 should be tax exempt and that taxes should be placed where they will hurt the economy the least and from where they cannot be shifted.

Subscription rates: 20 cents per issue; \$1.00 per year.

Advertising rates: \$2.50 per column inch; write for terms for mats or engravings supplied by the advertiser, or for prices of larger-size ads and consecutive annual insertion terms.

**Harvey Akeson**  
publisher

**H. James Hotaling**  
editor

**James H. Schoppe**  
consulting editor

**Erick S. Hansch**  
business manager

**Larry McLaughlin**  
circulation manager

**William H. Gwin**  
illustrator

Readers are invited to send their opinions to the Editor, **The Taxpayers Digest**, P.O. Box 2506, Portland 3, Oregon, but the publisher and his staff assume no responsibility for views expressed by individual contributors.

## TIMBER TAX SHIFT TO PROPERTY PREDICTED

A new tax on western Oregon timber will mean less property taxes for timber in 1962 and more for other property owners, says Tax Commissioner Paul Liniger.

Timber's share of the tax burden will climb again in 1963, Liniger said, but even then revenues will not reach the 1961 level.

The new timber tax law passed by the last legislature, reduces the taxable value in Oregon by at least 16 2/3 per cent, Liniger said.

In counties where timber forms a major part of the tax base he said, it will mean a major shift in the burden to other property owners.

All timber less than 12 inches in di-

ameter or less than 30 years old is taken off the tax rolls by the law. In addition, the law reduces the tax limit from 35 to 30 percent of the assessed valuation, and in some cases for old growth to 25 per cent.

A provision in the law provides that the timber is taxed at 100 per cent of valuation in the year it is harvested. This provision, called the "kicker" provision, will increase revenues in 1963 because revenue collections will run a year behind the actual harvest, Liniger said.

Nevertheless, he added, the 30 per cent limitation will hold revenues down to below 1961 levels.

The law was proposed as a timber industry compromise by the Industrial Forestry Association. Spokesman for the association said in hearings the law was designed to produce about the same amount of revenue as in 1960 when the limit was 30 per cent.

The 35 per cent limit was established by the tax commission. Several county assessors already have issued warnings that they expect property taxes in their counties to go up because of the new law.

## Medical Associations Challenge JFK's Medicare Program

What is an obvious answer to President Kennedy's program for the aged, the American Medical Association and the National Association of Blue Shield Plans have made available a medical insurance plan for all persons over 65 years of age.

The AMA program, which has been in actual operation for approximately six months in Oregon, has just begun to take on the looks of a football rally. Part of this is due to a something less than enthusiastic reaction from Oregon's elder citizens. Part of it is due to a socialized medicine scared medical profession here in the United States.

Specifically, the new service covers single persons over 65 with an annual income of \$2,000 or less, and a husband and wife with an income of \$4,000 or less. The coverage includes surgery in hospital or doctor's office and medical care in hospital or in a licensed nursing home. Among some of the other coverages are radiation treatments, anesthesia, X-ray examinations, laboratory tests and pathology services. The cost of the program is an estimated \$2.00 per month. The OPS plan is higher: \$4.85 a person or \$9.15 per couple which, for a couple on social security alone, is not exactly a gift.

The reaction of the AMA to Kennedy's

proposal was to be predicted since President's strongest opponents are medical associations. However, the action, although of a determined nature, may be of benefit to the persons involved, namely our elder citizens. If given the democratic right of choice (between President Kennedy's plan and the AMA), they could not but win. Needless to say, it is doubtful that the federal government will stand for such competition; control is considered essential by any governmental agency. Chances are that the social security system will be cheaper.

Can the American doctors meet this kind of competition? If they are to succeed, they must and chances are, they will. The result will be of course a substantial savings for persons over 65 IF the Kennedy administration will allow some amount of competition of choice in the matter.

One of the most subtle implications in the social security system is the idea that the taxpayer is not paying for the benefits he receives at 65 years of age. This is a false premise; it relies upon the absurd concept that what you do not receive, you can't or won't spend.

The ideal would be a program set up outside government control and which would operate under the approval of both doctors and government. The problem is, essentially, to provide adequate medicare for our senior citizens; politics, here, should have little or no voice.

The danger lies in that somewhere, sometime and somehow, a law will be passed and enacted whereby a person over 65 will have to take the only program available whether he likes it or not.

H. James Hotaling

## MULTNOMAH COUNTY TAXES RISE

Multnomah County taxpayers will meet a bill of \$73,678,522 for the fiscal year 1961-62—an increase of \$2,345,065 from last year.

Deputy County Assessor Kermit Carson said that while the amount of total taxes to be collected is greater this year, individual bills may vary in raises or decreases. "An important point," he said, "is that while the 'bite' in many cases may be smaller, the 'pie' or total valuation is larger this year."

A breakdown of this year's figures shows that the combined millage rate for Portland this year is down .5 mills—from 65.0 mills to 64.5 mills. This will produce a return in taxes of \$55,547,898—up \$1,070,194 from last year's yield. The combined assessed value of Portland properties this year is \$861,207,730 as compared to last year's valuation of \$838,118,525.

## Taxpayers' Interests Discussed

W. M. BROSY

In a joint meeting of the Tri-County Tax Research, Inc., and the Clackamas County Taxpayers it was decided to devise some practical and equitable means of preventing sneak special elections which burden the property owners with high taxes by record low voter turnouts. Various steps were considered and are expected to take firm shape in the form of a statewide proposal at their next meeting.

Also discussed were such taxation anomalies as the publishing and circulating at taxpayers' expense of prospectuses describing "desirable" projects without giving equal space to the negative side as is done by the Voters Pamphlet.

Another topic was a suitable location for sports events and recreational facilities in or near Portland. With the bungling of the ER-Center still fresh in mind strong hope was expressed that taxpayers will insist in future on ballot measures with specific wording to prevent later switches by the officials charged with carrying out the election mandate.

Vague language found in many tax and bond measures was castigated severely. It was felt that many voters take at face value those plans and projects published by different departments prior to the elections. But since such glowing previews are not usually incorporated into the measure itself the taxpayers are without legal recourse later to enforce their intended purposes.

Location proposals for joint handling of football, base-ball, County Fair and Livestock Fair were West Vanport, Delta Park, and Portland Meadows, all with sufficient space for parking and possibilities of future expansion.

## Portland Conductor Urges Music Subsidy

Jacob Avshalomov, conductor of Portland Junior Symphony and noted regional composer, told the City Club of Portland recently that both the city and the state should share in subsidizing the symphony orchestra.

"We cannot continue to support our cultural activities in a rummage sale fashion," he said. "We shudder at the thought of a subsidy to the arts, while we condone handouts to farmers and airlines.

Questioned as to whether he wanted City Hall to dictate symphony programs, he replied, "It is possible for us to hope

Continued on page 4, col. 1)

## Land Price Inflation Seen in Suburban Areas

House and Home the only industry magazine of houses and housing, (published by Time, Inc.) brought in its January 1960 issue an article called "Tight Money Can Do Little About Land Price Inflation."

House and Home says: steepest price inflation of all has been the price inflation in land, but nobody is doing anything to stop it, and nobody except the builders who must pay these inflated prices seems to realize how great and how wasteful this land price inflation has been.

The builders know all too well what is happening, because the price of the land they need has risen faster than the price of the materials they buy of the wages of the labor they employ. The price of big city slum land has soared so high that private enterprise cannot meet the need for low-income or even middle-income housing without a big land write-down subsidy.

The price of suburban land has soared so high that in some projects the land seller gets almost as many dollars for his acreage as all the manufacturers get for all the building products used in the houses. Before long there may be no profit left in homebuilding after the land speculators have taken their profit out first.

One reason why rural land prices have been climbing 8% a year in the face of falling farm prices is that Federal farm subsidies are being translated into higher prices for farm land. This land price inflation tends to nullify the hope that farm relief payments could speed and ease abandonment of marginal farms, and it helps to raise capital costs so high that some authorities say it now takes a \$20,000 investment to create one new job on a farm.

Another reason why land prices are soaring is that the expanding highway programs are skyrocketing land prices along the right of way and enriching the owners of that land with a windfall that may be bigger than the total cost of the highway. And that is also the reason why the Federal highway program is costing so much more than anticipated.

But the principal reasons for land price inflation have been our concentrating an unprecedented population explosion on a very small area. In the past decade, we have added 30 million more people to the population of our 162 metropolitan areas; i.e. we have crowded more people into an already heavily populated area the size of Connecticut than the 1950 population of California, Washington, Oregon, Arizona, New Mexi-

co, Nevada, Utah, Idaho, Montana, Wyoming, Colorado, North Dakota, South Dakota, Nebraska, Kansas, Oklahoma and Minnesota taken together.

And further, we have no land policy designed to bring the land needed for this population growth into the market when it is needed. On the contrary, we make it easy for land speculators to hold their land off the market in anticipation of still higher prices later. The result has been a largely artificial and fictitious shortage of land for housing developments, an artificial shortage that is forcing homebuyers to seek cheap land further and further out when plenty of land is still undeveloped closer in; an artificial shortage that often doubles development and community facility costs by scattering new housing over eight times as big an area as a more orderly expansion would require; an artificial shortage that has pushed prices far above today's values; an artificial shortage that is almost sure to end in a bust just like the bust in land prices that has followed every past inflation in land.

The only way land price inflation can be prevented is to tax land much more heavily, shifting a substantial part of the local tax burden now carried by improvements to the land itself. Taxes are the only important costs a land speculator must pay, so taxes are the only brake on the price of land. The bigger the land tax the smaller the speculative margin will be and the less chance of big profits in land speculation.

## FIRE DISTRICT NO. 12

Friends and neighbors in Fire District No. 12 were grieved over the sudden demise of Mr. Hubert I. Mariels, president of the district's Taxsavers Club.

The secretary of the club, Mr. Marion Elliott, was elected president in their last meeting, while Mr. Johnson was the members' choice for secretary. Mr. Daniels remained treasurer.

We extend our condolence to the members and at the same time congratulate them on their decisive action to continue in the business of watching out for the taxpayers' interests.

**\$1 TAXSAVERS DINNER \$1**

Saturday, February 3rd—6:30 P. M.

Odd Fellows Hall

65th and Holgate

**PUBLIC INVITED**

**Meeting after the Dinner**

## BOOKS . . . .

**Supplementary Statement** (to the Report of the Commission on Money and Credit) by H. Christian Sonne, Vice Chairman of the Commission, June 1961.

To students of monetary theory and practice we like to recommend a little essay that in spite of its condensed size of 30 pages is just solid unadulterated food for thought. Its author, H. Christian Sonne, has given it the unassuming title "Supplementary Statement"—but in our unsophisticated lay opinion it has the main report beaten by the proverbial and handsome mile. And we feel sure the writer of this little brochure could do justice—with profit to our community of economists—to a more extended work, which we fervently hope he will undertake.

For one thing, he is one of so few today who still recognize the importance of separating commercial banking from finance capital investment; one who even still realizes the true definition of commercial banking, which in the minds of so many economists seems to have lost its clear delineation.

Whatever the author turns to is imbued with a fresh outlook and dynamic approach. So when he speaks of our economic growth, he says:

"Whether it is the disappearance of the constructive banker following the government guarantee of deposits in 1935, the apathy that often is the result of success, the lack of incentive for tax or other reasons, the fear of the clammy hand of the Sherman Act, or perhaps a combination of these and other reasons that has caused the economy to falter is for our purpose here less important than the fact that we have plenty of suitable and good human material to spur its growth.

**MUSIC SUBSIDY**—from page 3

that this would be left in the hands of a competent manager."

Returning recently from a sabbatical year of studying and composing in Europe, he commented, "Music here as heard from there is very faint." Most Europeans have little knowledge about the work of serious American composers although jazz is known and appreciated.

In comparison, he noted that European symphony orchestras perform over an 11 month period each year to capacity audiences. "Here," Avshalomov said, "we have only 15 or 20 symphonies operating on much less than a full year schedule." He did not explain why a subsidy from city and state would increase the number of listeners in the audience.

"Once these potential leaders are aroused by the need of the country, they may still perform magnificently if given the proper scope and if properly organized.

"It would be unnatural if, under the pressure of necessity, an attempt would not be made to promote growth by creating, under the best available leadership, what, in effect, would become a NATIONAL GROWTH ORGANIZATION. This effort would, on the one hand, organize the younger, capable and active men as described above, and on the other hand, would obtain support from a great number of able retired men whose pensions often make them financially independent and who are likely to have the ability to work and the willingness to guide the younger generation to organize competitive enterprise effectively.

"And as a parallel to President Kennedy's 'Young Men's Peace Corps,' we may come to see an 'Older Men's Growth Corps.'"

In another place he deals with measures to combat inflation, and with unerring instinct picks out the main villain: market power.

After a well-deserved slap on labor's wrist, he writes:

"... the exercise of market power in the domestic field is tempting at a time when business has been accustomed to big profits and sees them dwindle. It becomes even more tempting during periods when export prices have to be cut to a minimum to attempt by any means to recoup through higher domestic prices."

To which he adds, perhaps with tongue in cheek:

"An additional competitive factor is found in the ability of several foreign democracies to make more progress in coping with market power than we have."

In the chapter "Conclusion" we read, among other thoughts:

"Since we have seen that anticyclical measures in the form of temporary pump-priming are not enough to find employment for the ever increasing num-

ber of chronically unemployed—the solution lies no longer in using 'shot in the arm' methods but in applying deliberate, continuing constructive measures."

Considering one of these measures he pleads that "... the biggest domestic task, which is urban renewal, could absorb, by itself alone, all available additional resources for many years."

The booklet is available from the author at his address 120 Liberty Street, New York 6, N. Y. Price 50¢.

(Please, refer to this source when ordering.)

**Portland Taxsavers**—from page 1

The Taxsaver's business agenda then dealt with a proposed Homestead Tax Exemption Law. A committee was appointed to draft a proposal with the recommendation to make the exemption outright up to a certain amount of the assessed value of the homestead, with special exemptions for the elderly pensioners, but not to include any deferral-with-interest clause. State Senator Alice Corbett offered to introduce such a bill in the next legislature.

The Taxsavers also adopted unanimously a resolution directed to the Committee for Constitutional Revision calling for retaining the present constitutional limitation of 6% on the increase of the annual tax base by tax levying bodies in Oregon without express voter approval. The 6% compounded increase amounts to a doubling of the tax base within about 12 years, which without the concomitant doubling of the assessed valuations would result in exorbitant tax rates for property owners.

It was also voted to renew the attempt to introduce a city-wide limitation on the free-wheeling promotion of tax and bond measures in special elections. The plan is to require a 60 per cent voter participation to validate any such election. "This would prevent a very small number of voters from saddling the rest of the taxpayers with increases of the property tax," explained an officer of the Taxsavers. A committee was appointed to draft a resolution to oppose the purchase by the city of Multnomah Stadium.

**TAXPAYERS DIGEST**

P.O. Box 2506, Portland, Oregon

Robt. Clancy, Director  
Henry George School  
50 East 69th St.  
New York 21, N.Y.