

NEWSLETTER

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"In this world of sin and sorrow if virtue triumphs over vice, it is not because it is virtuous, but because it has better and bigger guns; if honesty prevails over double-dealing, it is not because it is honest, but because it has a stronger army, more ably led; and if good overcomes evil it is not because it is good, but because it has a well-lined purse. We must believe that God loves men of good will, but there is no evidence to show that He will save fools from the results of their folly." (Somerset Maugham)

HOW NOT TO SOLVE THE ENERGY CRISIS

The Administration's suggestion that gasoline taxes be increased as much as 10 cents a gallon as the remedy for the energy crisis, and as a damper on inflation, has provoked claims of "highway robbery" from opposition critics and only lukewarm support from the most loyal administration adherents.

That it "may prove inevitable" that we adopt tax practices similar to France, where gas taxes are 80% of the sales price was stated by ex-Los Angeles Mayor Sam Yorty, speaking before the American Association of Petroleum Geologists shortly before his unexpected dethronement as L. A. kingpin. Little similar enthusiasm has been shown for the proposed tax increase.

The conservation advantages of the proposed tax shift, first suggested by Treasury Secretary George Shultz, are not clear. A majority of California car-users find autos an absolute necessity to reach their jobs, bus transport being either unavailable, or devouring at least double the time from portal to portal. The increased tax burden would be

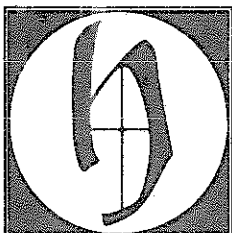
slight on the well-to-do tourists traversing the nation for their leisure, but excruciating on low-income workers without alternatives to gasoline consumption. And the total reduction in gas use would be negligible.

A TWO CENT A GALLON SHIFT ALSO SUGGESTED

A less extreme Administration proposal would be to only raise the Federal gas tax from 4 to 6 cents a gallon, the \$2 billion added revenue supposedly being sufficient to erase a predicted \$2 billion Federal budget deficit in 1974. This more lenient tax shift would have the same advantage of the 10¢ increase tax proposal of bearing lightest on large campaign contributors, and heaviest on the politically inarticulate. But all pretense of energy conservation would be dissipated by the mere 2 cents a gallon tax shift.

ALTERNATIVE ENERGY SOURCES STILL ON DRAWING BOARD

The increasing concern over energy shortages has inspired redoubled interest



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in nuclear energy plants, geothermal wells, solar energy, hydrogen fuel cells, etc., etc. But for the immediate present we must recognize that there's no fuel like an old fuel, with universal use of the alternate sources still years in the future. So we have hysterical demands for gas rationing, change of foreign policy to appease Arab oil magnates, higher taxes on big cars, more subsidies to rapid transit, special freeway lanes for buses, and return of the horse and buggy.

Before we hit the panic button, INSIGHT suggests that we consider repeal of the "prorate" laws under which Texas, Oklahoma and other oil producing states artificially restrict oil production by law in order to boost prices. We might also consider whether the drilling oil on the continental shelf under strict regulation, would truthfully be as dangerous as ecology enthusiasts claim. The alternative is increased importation by 250,000 ton oil tankers which according to many experts carries worse threats of oil leakage than off-shore drilling. Such off-shore drilling may be better than paying blackmail to Libyan and Kuwait dictators in the end. And oil's well that ends well.

REAGAN TAX LIMITATION PLAN WINS SUPPORT & CRITICISM

Governor Ronald Reagan's tax limitation plan has recently received support and acclaim from Democratic Governor Briscoe of Texas, one of the biggest landowners in the Lone Star State. Support locally has come from the California Real Estate Association, and from the hoodlum-controlled International Union of Operating Engineers, both of which are reportedly aiding financially and in circulation of initiative petitions.

Opponents of the Governor's plan claim that it was devised primarily to assist the Governor and other large property owners rather than the low or middle income groups. The Governor claims such critics are "demagogues."

In the meantime, further controversy has arisen over disposal of the \$850,000,000 surplus in the State Treasury. The Governor has proposed a 20% income tax rebate, while the opposition has proposed a 13 month's deferral of the 1 cent sales tax relief required by the Reagan-Moretti "tax reform" bill.

Denying that his income tax rebate plan would favor the rich, Governor Reagan stated:

"It is said that a 20% rebate will return only \$2.50 to one taxpayer while someone in the higher brackets would receive \$250. But the citizen who will get back only \$2.50 only paid \$12.50 (in income taxes). And the person whose 20% rebate amounts to \$250 paid a total tax bill of \$1,250."

In the meantime opposition leader John Burton has introduced legislation which might indefinitely delay the forthcoming sales tax increase. Inasmuch as the Governor has on previous occasions referred to Burton as a "nut", there is little hope that such a proposition would escape the gubernatorial veto.

LABOR SHIFTS AGAIN TO HIGH TARIFF STAND

The AFL-CIO, though to be relaxing its stand against high tariffs, disappointed free trade advocates recently by another shift in favor of high barriers against foreign imports.

Administration proposals to lower trade barriers were attacked as a "patchwork of yesterday's answers for tomorrow's problems" by I. W. Abel, United Steelworkers' President, testifying before the House Ways and Means Committee in place of then ailing AFL-CIO president George Meany.

Abel stated labor's support for the Bruke-Hartke bill, which would impose across-the-board import quotas and limit the export of capital and technology. Abel asked that Congress "move quickly and decisively to slow the massive flood of imports into the U.S."

market which are sweeping away jobs and industries in wholesale lots." Abel also claimed American-financed companies in Taiwan, Mexico, Haiti, Hong Kong, Singapore, Brazil, Japan and Europe "are taking a heavy toll among American families and American communities from coast to coast."

Free Trade is indeed "yesterday's answer to tomorrow's problems." Some of us think it was a pretty good answer. Free trade was not invented, it was the natural state of things before Man invented tariffs to protect the producer from the unconscionable greed of the consumer.

In 1886 Henry George's book "Protection or Free Trade" noted that "The pleas for protection are contradictory and absurd" but that the real strength of protection was this: "It makes more work, in the sense in which Pharaoh made more work for the Hebrew brickmakers when he refused them straw; in the sense in which the spilling of grease over her floor makes more work for the housewife, or the rain that wets his hay makes more work for the farmer. Yet, when we prove this, what have we proved to men whose greatest anxiety is to get work; whose idea of good times is that of times when work is plentiful."

George then noted that the wetting of the farmer's hay might be a godsend to a farm laborer out of work, the grease on the floor might be a welcome thing to a cleaning woman needing a few dollars, and if there had been a mass of unemployed workers striving for jobs in Pharaoh's brickyards his strange edict might not have been unpopular considering the extra number of brickmakers required to be employed.

In short, it is impossible to convince Labor of the idiocy of protection or the equity of free trade when it fears that supplementing the natural division of labor by having each nation do what it can do the most economically will only lead to further increased unemployment.

And if the steam shovel which displaces 10 men with shovels or 100 men with teaspoons places those men on the relief rolls, progress is indeed a mixed blessing.

AN OPEN LETTER TO THE INTERNAL REVENUE SERVICE

Internal Revenue Service
300 North Los Angeles Street
Los Angeles California 90012

Gentlemen:

The undersigned is an attorney.

For some time attorneys have been able to take luxury vacations abroad, with expenses deductible from the income tax, through a device of having occasional lectures on various aspects of the intermingled with the sight-seeing.

Tours all the way around the World, to the Orient, the Mediterranean and elsewhere, with expenses deductible on income tax payments have been made available to attorneys, dentists, and doctors for years by Seminars & Symposia, Inc., a Virginia corporation, stated to be a "non-profit, tax exempt organization."

A 16 day de-luxe, tax-exempt tour of Scandinavia is one of the most recent offerings, with beautiful pictures of the entertainment and scenery available to professional sight-seers. In Copenhagen Dr. Ole Hold of the Danish bar will speak on "Civil Law in Denmark". In Stockholm, Anders Brunes of the Swedish Bar will speak on "Personal Liability in Sweden" and in Oslo, Trygve Soedring of the Norwegian Bar Association, will talk on "Social Norms and the Law". This makes everything legally tax-exempt.

The Seminar brochure states: "Seminars are usually scheduled in the morning and rarely exceed three hours. Regular attendance is expected." We can pretty well estimate the amount of interest that Ameri-

can lawyers have in "Personal Liability in Sweden" and "Civil Law in Denmark", and the amount of regularity with which these seminars will be attended when the competing attractions of Copenhagen, Oslo and Stockholm are close at hand.

We consider this a decided improvement over the "Convention", as a tax exempt source of seeing the world. A friend of mine recently returned from back-to back trucking association conventions in the Bahamas and Switzerland. Long distance haulers from all over America converged on those convention sites undoubtedly chosen as being centers of long-haul trucking information. My friend stated that on many days the convention organizers did not even bother to announce a daily program.

I am not complaining about these obviously equitable business-expense deductions. What I want to know is this:

I have several clients who drive trucks for a living. They plan to take a three hour drive to Pismo Beach to dig clams next month. They plan to take with them an expert on truck-driving to lecture them on the way to better truck-driving procedures. Will this make the tour expenses deductible on their income tax? Will they be able to charge off their transportation expenses, motel bills and food costs as business expenses?

It would seem that my truck-driving clients will be doing as much, if not more, towards their professional advancement, as the world-touring lawyers, doctors and dentists, and therefore equally entitled to de-

duct all expenses from their income tax.

Since the income tax was enacted for the specific purpose of equalizing the wealth of this nation, and forcing high income recipients to pay a larger proportion of the tax burden than mere ordinary working men, the inherent justice of my clients' requests should be apparent.

Very truly yours,
Stanley Sapiro

PROFESSOR FRIEDMAN REPORTEDLY
THE INTELLECTUAL SOURCE OF TAX
INITIATIVE

Professor Milton Friedman, erstwhile Economics Professor at Chicago U. is reportedly the intellectual leader of the Reagan tax scheme, which would place arbitrary limitations on future government spending. Professor Friedman is not without honor in his profession, having written a thorough exposé of the fallacies of the doctrines of the redoubtable John Keynes.

Unfortunately, attempts by Friedman admirers in the Federal Administration to put into practice Professor Friedman's own money theory ideas were abandoned when a serious recession hit the nation-a recession which Friedman's detractors blamed on Friedman, and which Friedman supporters claimed would have been much worse but for the short-timed adoption of his money ideas.

So, at present Professor Friedman's track record is unproven.

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