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NEWSLETTER

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"Some have said that it is not the business of private men to meddle with government; a bold and dishonest saying, which is fit to come from no mouth but that of a tyrant or a slave. To say that private men have nothing to do with government is to say that private men have nothing to do with their own happiness or misery; that people ought not to concern themselves whether they be naked or clothed, fed or starved, deceived or instructed, protected or destroyed." (Cato the Elder, 234-149 B.C.)

THE AFTERMATH OF DECONTROL - OR, WHERE WILL ALL THE PRICES GO?

General euphoria has met the oncoming of Phase 3, and the decontrol of all mandatory wage, price and rent controls except in food retailing and processing, construction and health care. Treasury Secretary George Shultz has stated that "anyone who doesn't comply with the voluntary guidelines is going to be clobbered." But the political pressures against clobbering may be irresistible. The "voluntary" aspect of controls reminds insight of the old "Honor System" in University exams. The faculty had the Honor, and the students had the system.

Automakers assert that 1973 models cost \$200 more to produce than 1972 cars, largely because of government-imposed smog and safety requirements. Steelmakers and oil spokesmen report planned increases as to various products. Edward Carter, Chairman of Broadway-Hale said he expects major department stores to maintain their normal markup percentages "over costs."

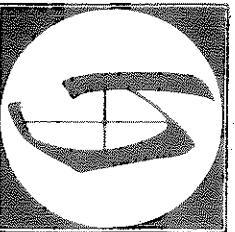
Commenting on the effect of decontrols on retailing generally, Edward Donnell, President of Montgomery Ward, stated that the greatest benefit to retailers would be "the release of thousands of man-hours of our sales and operative people from the non-productive, costly and time-consuming task of filling out tens of thousands of report forms every month."

The practical effect of retention of controls over food, construction and health services is problematical.

RETAINED PRICE CONTROLS NOT EXPECTED TO SLOW RISE OF FOOD PRODUCTION PRICES

Despite retained controls on food prices, little actual effect on increased rates is expected. Department of Agriculture spokesmen predict that supermarket food prices would rise as rapidly in 1973 as they did in 1972.

Little credence may be given the popu-



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lar myth that food retailing is an easy way to high profits. Two and a half years ago the Watts Labor Community Action Committee established a chain of 4 black-owned food markets, intended to counter high prices charged by existing retailers in minority areas. After losing \$1,000,000 during the 2½ years, the four stores are about to be sold. Ted Watkins, WLCAC project head, stated that high food prices are determined by food producers, and that attempts to keep down consumer costs, thefts by customers and employees, and bad management caused the losses. Watkins said: "We were under the illusion that we could help defray some of the high costs of food, but we found that in reality store owners have absolutely no control over the pricing of merchandise." Watkins concluded that perhaps his chain could have stayed in business "if we had owned any of the resources - big cattle ranches, produce and poultry farms."

Food producers, however, claim that they are subject to the most fierce and uncontrolled competition in the economy. They claim weather and greatly decreased domestic supply caused by the Russian sales have resulted in current high raw food prices.

THE TRAGIC CASE OF THE \$850,000,000 SURPLUS

The \$850,000,000 estimated surplus in the State Treasury has provoked as much controversy as the repeated deficit with which California taxpayers are more accustomed.

Assemblyman Cory (Dem. Orange Grove), State Senator Marks (Rep. San Francisco) and other legislators introduced legislation to postpone the sales tax increase slated for July 1. Governor Reagan first stated that he had rejected the idea of postponing the sales tax increase, on the grounds that such action would be too difficult and costly to administer, the Governor stating: "I am committed to the idea of an income tax cut."

After public eyebrows were raised over the prospect of a simultaneous increase in the sales tax and reduction in the income

tax, the Governor made a slight revision in plans, and came out with the present program for a temporary respite in the sales tax increase, and a permanent reduction in the State Income tax. This in turn has provoked inquiry as to the wisdom of the Federal tax-sharing plan, where Federally-raised income taxes are used to indirectly reduce State income taxes with a few million dollars added to administer the program.

TEACHERS REBUFFED ON SCHOOL SPENDING

The Governor gave the political equivalent of the back of the hand to teacher spokesmen who requested that the surplus be expended on school construction and teachers' salaries. The Governor stated: "I am convinced in my mind that they (schools) do not require the money they are presently getting. And to blame the lack of quality in education in many of our schools on the lack of funds is absolutely ridiculous."

Inasmuch as the California Teachers Association paid large sums of money to purchase legislators' votes in favor of the Reagan-Moretti tax shift bill which increased the sales tax and limited local property taxes, the Governor's harsh words bordered on gross ingratitude.

CONSTRUCTION CONTROLS DIFFICULT

As far as construction controls are concerned, they were ignored in the past, and they will be ignored in the future. With lumber prices boosted by huge sales to Japan, lumber dealers have paid no attention to price controls, and no change in attitude is expected in the future. The price of a 2x4 might be regulated, but there is nothing to prevent the lumber dealer from calling a 2x4 by some other name with a greatly increased fab. The contractor didn't have to pay the exorbitant prices. On the other hand, in such a case he didn't have to receive any lumber. Government restrictions on lumber exports and encouragement of lumber imports have been suggested as solutions, but important political support is lacking.

As both President Nixon and Secretary of the Treasury Connolly admitted prior to the initial installation of wage-price controls, such restrictions are unworkable over a long term. And they are far from being fully operable even over a short term. It is suggested that government deficit spending and inflated land prices are the basic cause of inflation - an inflation which cannot be cured by tinkering with the price system. Insofar as the claim that excessive wage demands must inevitably lead to further inflation, total elimination of tariff barriers might solve that difficulty. However, the powers that be would undoubtedly prefer inflation to the political consequences of free trade, a balanced budget, and a logical land use program.

Relative to the President's hope that industry will voluntarily refrain from price increases, one of Insight's staff of cynical and untalented poets prophesies that future discussions between government and business on this issue will proceed thusly:

For you to increase any price
would be horrid and not very nice;
It would stop the elation
about fighting inflation,
and I'd put you again in a vise.

Will you please take a close look at wages
before flying in petulant rages;
And they sell stuff from Hong-Kong
which they make for a song,
and bankruptcy may soon get contagious.

We're protecting each man in his job,
although he's an overpaid slob;
Although he may shirk
from the rigors of work,
it's for him that we do sigh and sob.

When the widows who own all our stock
ask for bread, shall we give them a rock?
Would you put a big bite
in the poor widow's mite,
must she put her belongings in hock?

Remember you have to campaign,
again, and again and again;
If you want a solution
to campaign contribution,
you'd better start using your brain.

WILL PROPERTY TAX LIMITATIONS LAST?

State Legislative Analyst A. Alan Post recently told the Senate Finance Committee that property tax limitations contained in the Reagan-Moretti tax shift will come off sooner or later. He stated that studies have shown that such property tax restrictions "have never worked." State Finance Director Verne Orr defended the limitations, saying they only needed "technical" changes.

The lobbyist backed Reagan-Moretti sales tax increase bill also froze property tax rates, allowing exceptions only pursuant to a complicated formula based on local growth, the consumer price index and inflation. When the special interests take away something with one hand, they always give back something with the other hand. But not to the same people.

COUNTY NEED FOR FEDERAL ASSISTANCE UNCLEAR

Southern California County budgets are far from showing any conclusive need for Federal assistance. Nineteen seventy-two, seventy-three budgets show the following for leading Southland counties as compared with 1971-1972:

Los Angeles County: Budget - \$1.6 billion, down \$136 million from last year;
Property tax rate down 40.65 cents to \$4.0272; Total property valuation up \$869 million to \$20 billion.

Orange County: Budget - \$305 million, up \$36 million; Tax rate \$1.95, down 9 cents;
Total property valuation \$4.9 billion, up \$534 million.

San Diego County: Budget - \$296 million, up \$8.5 million; Tax rate \$2.711, down 22.8 cents; Total valuation \$3.7 billion, up \$358 million.

San Bernardino, Riverside, Imperial, Ventura, Santa Barbara, San Luis Obispo, Kern, Tulare, Fresno, Kings, Inyo and Mono counties, the other counties in Southern California, also all had greatly increased total property valuations and decreased property tax rates.

For the information of the uninitiated, property is supposedly valued at 25% of true value in California, but actually is often assessed as low as 3% depending upon political circumstances and the terrain.

Inasmuch as State and County governments are now in much better physical shape than the Federal Government, perhaps we should consider the tax policy adopted by the Continental Congress of two centuries ago. Our forefathers supported the Federal Government by allowing it to share in the land taxes recovered by the various State governments. Or are we getting too reactionary?

LOS ANGELES CITY PLANNING COMMISSION DEMANDS DEVELOPERS RESERVE 15% OF NEW HOUSING FOR LOW INCOME TENANTS

All developers will have to reserve 15% of new housing for low income families whose rental payments will be subsidized by the Government, if an ordinance recommended by the Los Angeles Planning Commission is approved by the City Council.

City Planning Director Calvin Hamilton, whose department endorsed the ordinance, stated: "This is one of the most significant things to happen in the whole nation. We need an ordinance that will distribute low and moderate income housing throughout the city. In the long run, this will do more to break up the ghetto than anything else."

One of the three planning commissioners supporting the ordinance, Edward V. Hill, stated: "This is not a color fight; this is not

a fight for integration. It is a social problem, a problem that capitalism has not solved."

The lone opponent to the ordinance in the Planning Commission, David S. Moir, stated that the ordinance was socialism, and "the way foreign governments do things." Moir stated that the current system of subsidized housing was the "American way of doing things."

This all sounds like an intellectual discussion in Bedlam. We suggest that the three commissioners supporting the ordinance reserve 15% of the space in their houses for occupancy by low income recipients, whose rentals may be paid by the Government. Assuming the unlikely possibility that the ordinance will pass the City Council, not be vetoed by the Mayor and will not be held unconstitutional by the Courts, the eventual result is that most builders will switch their operations to outside Los Angeles. Income unit builders already have to pay a park tax of \$200 per unit, and undergo numerous other legal harassments if they dare to improve property in Los Angeles. This added inanity may be the last straw.

We know that there are many keen minds in the City Planning Commission who realize that the only way to produce better housing for rich and poor alike is to encourage proper utilization of land, not by placing artificial restrictions on its use. Maybe some day they will dare to view their beliefs.

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