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"Only what is socially just is economically sound"

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HIGH INTEREST RATES, A BASIC NATIONAL ISSUE

Hon. Wright Patman, Member of Congress

The recent defeat of HB 14026, authored by me, and which was to be a significant step in the fight against the steadily rising interest rates, must by no means be taken as final.

The most formidable force ever to be seen on Capitol Hill was arrayed against this bill, which was to be a mandate to the Federal Reserve Board and to the so-called supervisory agencies to reduce the interest rates. The lobbyists of the American Bankers Association were in the galleries of the House of Representatives and in the hallways of the Capitol throughout the debates on this legislation. In fact, one of the banking industry's publication, The American Banker, described it as the most massive campaign in more than four years. The goal of the American Bankers Association (ABA), the American Banker said, was to have every one of the 12,000 members contact their Congressman before the vote.

The reasons behind the strong lobbying effort are obvious. The ABA and its interlocking groups represent institutions which hold most of the country's one trillion three hundred billion dollars in debt. Of course, they want more and more money for their pockets without additional services in return.

The American people won't keep on paying higher and higher interest rates without demanding action from their elected representatives in Washington.

The cost of government borrowing has gone up more than 13 times since World War II. But high interest rates are taking their biggest toll on the consumer and especially on the home buyer: a \$20,000 home will require more than \$23,168 in interest over the life of a 30-year mortgage.

A 1% increase on a \$20,000 house represents almost \$4800 in additional interest charges. With the national median income around \$4600, this means that the average American must work a full year just to pay the added interest charges on his home.

In short, the American people are not being protected on monetary affairs. The Federal Reserve Board continues its anti-people policies through its status of "independence" which leaves it accountable to no one except the banking industry.

The Federal Reserve does not come to Congress for appropriations. It obtains its funds from interest on almost \$42 billion worth of bonds which it holds in the New York Federal Reserve Bank. These are bonds which the American people have paid

for once, but the Federal Reserve continues to demand and receive \$1.7 billion annually in interest on these bonds, and it carries on its operations out of this huge fund. This fund is not audited and the Federal Reserve is not accountable to the Congress for any part of its expenditures. This situation, combined with the fact that Federal Reserve Board members have 14-year terms, gives the Federal Reserve the freedom to thumb its nose at the Congress, the President, and the American people.

I pledge that I will continue the fight for lower interest rates, and I urge you to re-double your efforts in this behalf.

EXCITING TAX NEWS

Many people seem to have the impression that the field of taxation is dull and uninspiring, and the discussion of taxation measures interminable and leading nowhere in particular.

Not so!

To one who has followed the trend in this field over the last few years some remarkable developments have been demonstrated. And now, a rather exciting item has come our way recently: Professor Dick Netzer's: "Economics of the Property Tax."

For many years any advocacy of land value taxation was either met with complete, if somewhat embarrassed, silence or else with ridicule from the orthodox professional and professorial circles. The volume mentioned has been published by the Brookings Institution in Washington, D.C. (1966; 326 pages, paper cover, \$2.50).

This in itself is a fact of great importance that will help to enhance the acceptability of the subject of land value taxation in the restricted circles of the tax experts.

Dick Netzer's book contains a detailed examination of land value taxation, and discusses frankly its

merits and demerits. On balance, it comes out favorable.

The author is Professor of Public Finance at the Graduate School of Public Administration, New York University.

This volume cannot be easily pushed aside by responsible legislative taxation committees.

SKYROCKETING COSTS OF EDUCATION

From a report of the Congressional Subcommittee on Economic Progress, August 1966, we take the following quotations (page 3):

"Annual current expenditures per pupil in public elementary and secondary schools increased from \$321 per pupil in the school year 1954-55 to \$478 in 1964-65, and are expected to increase to \$660 by 1974-75."

"The annual cost per student in institutions of higher learning rose from \$881 in 1954-55 to \$1220 in 1964-65, and is expected to climb to \$1537 by 1974-75." (All the above figures are in 1963-64 dollars.)

"Total enrollment in US educational institutions rose from 36 million in 1954 to 53 million in 1964, and is expected to be 63 million by 1974."

* * * * *

We as taxpayers are concerned where the money and the means are to come from for such a vastly increased outlay in our education expense. Can we believe the politicians' promises of reduced taxes, or feel hopeful about rabble rousing cries of expense cutting with the possibility of undercutting the educational facilities for our children? Where can we turn for a serious answer to this problem?

After we decided editorially to come out for land value taxation as the means to finance schools and education (see TAXPAYERS DIGEST of May-June, 1965), we find that more and more voices are being raised with the

same proposal in mind. We refer our readers to the article in our last issue (July-October) where the same idea was proposed by University of Oregon's economist Dr. Richard Lindholm.

Now, a book by a Canadian author has been brought to our attention: "Adventure in Free Enterprise" by Gene Ard.

The author contends that 'free enterprise' and 'capitalist system' are not synonymous, a conclusion which we can only endorse after reading his well-reasoned exposé. The main theme of the book deals with monetary problems in the economy---the issue of money and its management---but the author finds a suitable occasion to postulate this argument:

Q. "I note that you include public education among the services to be paid for by land-rent. It has long been a contention of land owners that schools render no service to land, and should be paid for by general taxation or special education levies."

A. "That contention is and always was phoney. Landowners have always been biased by self-interest, amounting to selfishness. Although they are the beneficiaries of land-rent, they have tried to evade responsibility for school costs by denying that education is a rent-creating service. If they ceased to be beneficiaries of rent, they would argue the exact opposite. They would insist that school costs be assumed by the new receivers of rent, and would strongly oppose special education levies."

"Education is a creative service that builds land values and land-rent more than any other service. Without schools, population would depart and land values vanish altogether."

("Adventure in Free Enterprise" by Gene Ard; Vantage Press, Inc., 120 West 31st Street, New York 1, N.Y.--Hard cover, 198 pages, \$3.50-----

About the author: Gene Ard is the pen-name of a well-known Canadian journalist and radio commentator specializing in public affairs and finance. For ten years he served as alderman in a provincial capital city, and for fifteen years as trades-union organizer and executive. He has established for himself a reputation as able platform speaker, keen debater, gifted writer, and perceptive analyst of political and economic trends.)

DEAR EDITOR:

I think you are to be congratulated on surviving in a very tough market for seven years. You need more material of a more readable and exciting nature. Wish I had the time and the ability to contribute articles.

Best wishes,

Mike Lurio, Boston, Mass.

BARE TAX FAX

Blessings on thee, little man,
Barefoot boy with cheeks of tan,
Trudging down a dusty lane,
With no thought of future pain;
You're our one and only bet
To absorb the national debt.

Little man, with cares so few,
We've a lot of faith in you;
Have your fun now while you can,
You may be a barefoot man!

(Courtesy California Homeowner,
September, 1966)

LAND KEY TO VIET SUCCESS

SAIGON---(UPI)

The South Vietnam Government's hold over the Mekong delta depends on its ability and willingness to carry out vital land reforms.

Land ownership has proved the most

effective propaganda weapon in the hands of the Vietcong who have no North Vietnamese units to back them.

And the Communists lose no opportunity to stress the Government's failure to act in this field.

An estimated 70% of the farmers in the Mekong delta lease land at exorbitant rates from absentee landlords in Saigon or from one or two rich men in each village.

Owning no land the tenant farmer feels he cannot show proper respect to his ancestors as he has no family plot for their graves--or his.

The Vietcong, aware of this mystical attachment of the Vietnamese to the land, parcel out the land to those who are working on it as soon as they move into any area.

Understandably, these peasants prefer to pay even the high Vietcong taxes--15 to 45% of the crop--because they feel that the land is theirs.

In contrast, when Government forces move back into an area they are usually followed by tax collectors and landlords who not only bleed the farmers for back taxes and rents but remind them that the land is not theirs.

As the Government does nothing about this, the Vietcong have a large and growing following among landless peasants. Even the existing land reform laws, propagated by the late President Ngo Dinh Diem, are observed only in the breach.

TAXPAYERS DIGEST

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Tenants are compelled to pay 30 to 50% of the crop although farm rentals are legally fixed at between 15 and 25%. Also landlords have got around the stipulation of a signed lease by tricking their tenants or evicting those who insist on such leases.

It is thus not surprising that the Vietnamese tenant farmer has lapsed into apathy, planting no more than is needed for his family's survival.

(From the "Daily Mirror", Sydney, Australia -- July, 1966.)

TO THE TAXER FROM THE TAXED:

You cannot squeeze us more--

the juice is gone;
And when the pulp rebels to carry on,
Extractors all, take heed,

your days are done---
To squeeze your plumpness
is the prize we won!

W. E. Pereira, Los Angeles

(The above was written with the exposed tax fraud scandals in California in mind.-- Ed.)

Homefreezer salesman to housewife:
"You can save enough on your food bills to pay for it."

Housewife: "I know, but we are buying our car on the busfare we save. We are paying for our washing machine on the laundry bills we save, and we're paying for our house on the rent we save. We can't afford to save any more right now."



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