Commentary

On the right . . . William F. Buckley Jr.

McGovern's loopholes get bigger

Little by little the analysis rolls in, to the considerable disadvantage of Senator George McGovern who, even as he has now embraced the cause of Israel more hawkishly than anyone since General Dayan, will surely, sometime before Election Day, deliver a paean on the tax loophole.

A fortnight ago Mr. Stewart Alsop reported that a big McGovern backer from California, who had made a fortune in computers, consulted his computers, feeding them one of Senator McGovern's formulas for bringing wealth to the needy, and discovered that $42 billion was missing. I.e., that just one of the redistributionist schemes proposed by Senator McGovern was underfinanced by a mere $42 billion. The backer was not the man best suited to question the reliability of computers so it is not known whether he will finally back off from his computers or from his candidate.

Now the Economics Division of the Mellon Bank in Pittsburgh, in its news letters, makes a few gentle comments about the loopholes Senator McGovern is forever talking about. Do you remember the one about all the people who reported gross incomes in excess of $200,000 in 1970 who paid zero taxes? High indignation set in every time Senator McGovern mentioned the matter. What he did not mention is that there were exactly 106 such cases, and that a study of them reveals that the overwhelming majority either: a) paid taxes to foreign countries receiving the usual tax credit; or b) paid state taxes; or c) had deductions sanctioned by law. Senator McGovern also did not mention that there are in fact 15,000 American citizens who reported incomes in excess of $200,000 who did pay income taxes—at an effective tax rate of 44 per cent.

Nor does Senator McGovern stress the use of loopholes to people who are not necessarily rich. For instance, the joint return permitted husband and wife, in the absence of which loophole the government would realize six to ten billion dollars in additional revenue.

The new tax law of 1969, regularly disparaged as a rich man's tax law, deserves to be criticized for any number of reasons, all of them, however, more complicated than those Senator McGovern comes up with. That tax law reduced the rate of income taxation by 82 per cent for those earning $3,000 or less; by 43 per cent for those earning $3 - 5 thousand; by 27 per cent for those earning $5 - 7 thousands—and so on, with a reduction of 1.7 per cent for those earning $50 - 100 thousand; and an increase of 7 per cent for those earning $100 thousand and over.

But the figures are tiresome, when put beside the principal point, which is that over the years Congress and the Executive have done what they thought best to affect the allocation of resources. The Mellon Bank's economic newsletter sums it up:

"For example, it (the tax law) is used to encourage home ownership, to lower the cost of borrowing to state and local governments, to increase the value of retirement and unemployment benefits, to lower the cost of medical care, and to encourage private philanthropy. Reasonable men can disagree on whether or not the individual income tax law is the proper vehicle through which such objectives should be accomplished. But it is clear that proposals to abolish the existing set of tax preferences, unless accompanied by other positive measures, imply a repudiation of the objectives which originally led to the establishment of the preferences."

It is quite literally that simple: Should Congress, or should it not, encourage married couples, home owners, the sick, the economically venturesome? Candidate McGovern will in due course need to face up to the consequences of his rhetoric.

When he does so, I for one, wish that he might say something truly radical. Namely that it is not the proper business of Government to attempt to manipulate human economic behavior by a tissue of built-in biases in the tax law. The trouble with the idea of making justice via tax laws is that one never really knows what it is that one is accomplishing; who it is that one is hurting. Professor Friedman has over and over again demonstrated that efforts by the Government to give the little man a break by this or the other welfare subsidy end by hurting him. A true break with economic interventionism would see McGovern coming out against rinky-dink tax laws, against all deductions (except obviously justified deductions), in favor of the elimination of the progressive feature of the income tax, and in favor of a maximum tax rate of 20 per cent.

Letters

Stay hidden?

Re Nicholas Von Hoffman's statement in his Thursday column that (I paraphrase) "one is tempted to conclude that gay people should've stayed in the closet . . . while they were hiding we were at least avoiding the problem."

When one is tempted to such conclusions—and we all are from time to time, generally with reference to groups to which we don't belong—one asks for volunteer Toms. Or, more gently, one asks a rather remarkable forbearance on the part of people who are denied not just social acceptance but legal equity.

Wishing people would pipe down because their demands are inconvenient is probably understandable. We'd all like a bit more peace and quiet. But then we'd also like to be free. First freedom, Nicholas. Then peace.

Patricia Wright
SENIOR, Journalism

Freedom of Choice

This letter is in reply to your editorial of June 29, 1972, "Oregon for Oregonians."

The United States was founded on the principles of freedom of choice. These freedoms include choice of religion, vocation, and habitat. It seems to me, Mr. Bucy, that because a person is born or lives in a beautiful region such as Oregon, he is no better than someone from Ohio, Arkansas, or Iowa. Does his birth right give him the authority to declare that only he should live where the grass is greener? Must a person living in the ghetto make no attempt to better his condition? No, don't give him a chance to discover the mysteries of Crater Lake, camp below a snow-capped mountain, view the magnificent rugged coast, or just hug a giant spruce. No, don't give him his freedom of choice. You have unjustly discriminated against all non-Oregonians. Your logic, location of habitat, is no more fair than the prejudice the Negro, Indian, or woman faces daily.

We are citizens of the United States, tax payers, and lovers of the state of Oregon. We have not destroyed our native state nor do we intend to destroy yours. It is because we love Oregon so much that we write this letter. Oregon must maintain the highest of anti-pollution standards. It must strive to keep its beautiful ecology intact. Oregon must permit people to share its resources so that they can in turn give part of themselves.

Martin D. Johnson
Janice A. Johnson

Thank You

Thank you for Oregon for Oregonians. Some Americans still have that pioneer spirit where you find a beautiful area and stay there until it becomes unlivable and then pack up and move to a new area. Then you live there for awhile until it becomes unbearable and then move on again. And so on.

What these modern pioneers in their streamlined 300 horsepower wagons don't seem to realize is that if they come out here they're going to turn this place into what they are now running from. A mess. Maybe if they'd stay home and work on improving their own living conditions we'd have a little more time to preserve ours.

Mike Mulli
Jr., Art Education