

Michigan Hit By New Financial Ills As Unpaid Bills Piling Up

LANSING, Mich. (UPI)—Michigan has reached a new peak of financial peril.

There is talk of closing universities, bringing state police in off the road, cutting welfare payments, laying off thousands of state employees and more "pay-less paydays" for others.

The state has unpaid bills piled up of about 72 million dollars. It has just collected and spent 14 million dollars from its citizens from a tax now declared illegal and faces the near impossible task of trying to rebate all the pennies collected on purchases of clothing, groceries and other small items.

Its Legislature is going into the 11th straight month of wrangling while, as one newspaper said last week, proposals for new taxes wait around the chamber like exotic perfume.

It seems — and it is — ridiculous that bankruptcy threatens Michigan. This is one of the wealthiest and fastest growing states in the nation. It has the huge automotive industry, magnificent forests and mineral deposits, a big agricultural industry.

Why, then is Michigan broke?

No-Quarter Struggle
The answer boils down to a no-quarter struggle between the Republican controlled Legislature with the support of industry and Democratic Gov. G. Mennen Williams, a millionaire with the backing of the United Automobile Workers Union.

Williams has been governor for six consecutive two-year terms and the Republicans have ruled the Legislature those 12 years. In all that time, they have never reached a satisfactory, long-range tax program, although state expenses mounted rapidly.

To understand Michigan's problem, certain facts must be stated. The state is constitutionally prohibited from borrowing more than \$250,000 — although even its towns can float bonds and go into debt by 2 million dollars or more. Thus, while other states can and do borrow to meet current needs, Michigan cannot.

Much of its revenue is earmarked to more than 40 special funds which cannot be used for general state expenses. It has no state income tax. Its main revenue comes from a 3 per cent sales tax.

But in 1946 legislation was passed that out of every six cents collected on the sales tax, 4 cents had to go to the schools and one cent to local governments. That left only 1-6 for the state.

Will Soviets Scrap Their Warsaw Pact?

By PHIL NEWSOM
UPI Staff Writer
From the foreign editor's note book:

NEW SOVIET OVERTURES?

West German intelligence officials will not be surprised if the Russians offer to scrap their Warsaw Pact agreement as part of their world disarmament campaign. The Warsaw Pact is the Communist bloc European counterpart of NATO. The German say Soviet military experts have told Premier Nikita Khrushchev that the move would have excellent propaganda value and at the same time would not be harmful to Soviet military strategy.

CAMPAIGN AGAINST SIN:

Police are conducting an all-out campaign against vice in Frankfurt, known as West Germany's most sinful city. Targets are the railroad station where unregimented prostitutes loiter, all night bars and cabarets which flaunt "lewd" advertisements of strip-tease shows.

CLOAK-AND-DAGGER:

President Charles de Gaulle himself is said to be pressing the investigation into France's newest political drama. It involves the reported attempted assassination of Leftist Sen. Francois Mitterrand. Mitterrand claims a machine gun attack on his car was engineered by elements opposing de Gaulle's offer of self-determination for Algeria. But former French deputy Robert Pesque charges that Mitterrand engineered the whole thing himself to try to force a government clampdown on rightwing elements opposing the de Gaulle plan.

PROTOCOL:

The men who will determine where and how visiting royalty shall be seated at the 1960 Olympic games in Rome, have a new worry. They know about Pope John's XXIII delight in breaking with tradition and they are taking up seriously the possibility he might want to see some of the games. Would a separate throne have to be erected for Pope John? There is no precedent to go by.

This is not the first crisis by any means. Past shortages have been met by such expedients as a new tax on liquor and one on cigarettes. Now, more patchwork tax legislation is in prospect by the Legislature.

One likely action is the seizure of the veterans' trust fund of 40 million dollars to pay off bills.

This fund has been used only to the extent of loans of about \$1,500,000 a year to veterans and the argument is that those can be handled by a special appropriation.

Another idea is a new \$10 "one-shot" tax on every automobile owner in Michigan. With 3,500,000 cars that would bring in 35 million dollars.

The state got a bad jolt last month. Another of its expedients was raising the sales tax from 3 per cent to 4 per cent and calling the extra one per cent a use tax. The state Supreme Court declared it illegal — on a strictly partisan basis — and 3 Republicans and 3 Democrats and 3 Republicans voted 6-3 to annul it.

People Are Disgusted
Now there is much political scurrying to put referendums on the ballot in the November 1960 election to let party strategy.

The Republicans propose to ask a constitutional change to boost the sales tax to 4 per cent. The UAW over the week end countered that it would ask approval of a terrific excess profit tax which would take 25 per cent of corporate income over 6 per cent. With General Motors record earnings for the first 9 months of this year, the annual tax on that company alone would put Michigan in the black.

Williams says that is all very well, but he needs 110 million dollars now.

The public hasn't had the chance to say much of anything, but a visit here makes it evident the people are disgusted. Several editors at a United Press International meeting in Grand Rapids agreed a lot of people would like to toss out the entire Legislature, Democrats and Republicans alike, plus the governor and start with a clean slate.

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