

ECONOMIC HIGHLIGHTS

Will Tax Cut, Government Spending Bring on Inflation?

Just a few months ago, when Russia launched Sputnik I, it seemed fanciful to talk seriously about early tax reduction in this country. Many then thought, as a matter of fact, that there was a real likelihood of tax increases right up to a war-time level.

Sputnik II is still in orbit, circling the earth, and is now accompanied by the U. S. Army's Explorer and the U. S. Navy's Vanguard. Military spending is soaring. Yet, as Stewart Alsop writes (and most of the other well-informed commentators are now saying much the same thing) "... a big tax cut can be written down as dead certain unless there is a sudden and totally unexpected economic upturn." Leaders of both the parties are now leaning that way, and each side, naturally enough, will try to exploit the greatest possible political advantage from whatever is done.

"Within the Administration," Mr. Alsop also writes, "there is no longer any resistance whatsoever to a big tax cut, if the economic slide continues. The only debate is on timing and size of the cut." One Administration group which, it is believed is led by Vice-President Nixon, wants the cut to be no less than \$5 billion, and would like more. It also wants to move quickly. The President and the Secretary of the Treasury, on the other hand, regard the \$5 billion as a maximum figure, and are inclined to delay action until a clearer pic-

ture of what the economy is going through emerges.

Just what form or forms the tax cut will take when it comes is a highly controversial matter now. Many proposals are in the wind. Some want to "forgive" all or part of withholding taxes for a period of time, on the ground that this would pump money into the channels of consumption in the shortest period of time. Some want to increase the individual exemptions from the present \$600 to \$700 or \$800—a move which would give most of the benefit to bottom-bracket taxpayers. Some favor an across-the-board cut of, say, 10 per cent. This, naturally, would give more of the cash to the middle and upper bracket taxpayers. And there are other ideas, such as fixed tax credits for each member of the taxpayer's family, and an increase in the optional standard deduction, which is now 10 per cent or, if deductible items are listed, a maximum of \$1,000. Either of these plans would primarily benefit lower-bracket taxpayers.

If we have a tax cut along with greatly increased government spending, what is going to happen? One thing is sure—the government will again engage in deficit financing on a huge and perhaps unprecedented scale. That deficit, as Mr. Alsop sees it, could even be of a size "... to make the eyes of the most daring New Deal pump-primer bug out"—that is, \$10 billion or more. The actual size, of course, will in large part be determined by government revenues which in turn depend upon individual and business incomes. As of now, these revenues will be much below the earlier estimates. It is the hope of the advocates of big tax cuts that pump-priming will change that situation.

Finally, one little word should be mentioned here—inflation. Will these pending government policies and actions set off a new and major inflationary wave and cheapen the dollar some more? Millions of people have that question in mind today.

Festival of Music Sunday Afternoon

The St. Cecelia Music club is offering its Festival of Music to an appreciative public at Centenary Methodist church Sunday afternoon.

Long known for the quality of its projects, the club deserves the excellent attendance that can al-

ways be counted on. Miss Catherine Latta is director.

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Lend Helping Hand To Musical Group

New Bern citizens can do worse than lend a helping hand financially to the Craven County Symphony Society.

Thanks to its president, the Rev. John E. Murray, and other hard-working members, the full North Carolina Symphony will perform Thursday night at the New Bern High school auditorium.

Back in January, also thanks to the local Society, two free concerts were given here for school children. Memberships made it all possible, and memberships are still to be had.

City Attorney Lee Is Happy Man These Days

Former City Attorney Wilson H. Lee is a happy man these days. An authority on birds, he knows that Spring brings an influx of feathered friends to his premises.

Lee can identify any bird that comes along, even at a great distance. He studies their habits, is familiar with their quirks, and goes out of his way to make them feel right at home.

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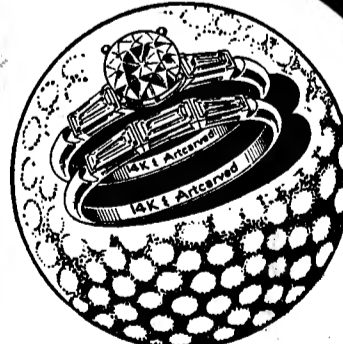


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