

Opinions

Federal tax increases in wind

Richard A. Viguerie

There they go again. Congress has approved another package of tax increase that will increase the deficit. Yes, increase the deficit, the same way that each of the three other tax increases since 1982 has increased the deficit. I'll explain, but first let's examine the new tax bill.

As expected, Democrats in Congress overwhelmingly supported the tax hike. But most Republicans in the Senate, and almost half of them in the House, also supported the measure. As *The Washington Post* put it, "Debate on the House floor on the bill, which was backed by the White House and the leadership of both parties, was mostly perfunctory." The increase affects about 200 provisions in the tax code. Barring last minute changes, the bill raises taxes on--

... telephone service, savings account interest, fishing tackle boxes, arrow, home computers, diesel fuel, pensions, liquor, inheritance (including family farms), and on people whose income varies greatly from one year to the next. It increases taxes on starting a new business, on retired people who get royalties from oil companies, on pollution-control equipment, and on cattle feeding. (Not everyone will be hurt by the tax bill, though. It erases a tax debt of nearly \$12 billion owed to the government by such corporations as General Electric, Boeing, Dow Chemical, DuPont, and McDonnell Douglas.)

I mentioned that the tax hike will increase the deficit, not reduce it. That's because, in order for a tax increase to cut the deficit, two things must happen:

1) Spending must remain the same or be cut. But spending has continued to increase at every level

of government--and tax increases have simply given Congressmen more money to spend.

2) The tax increase must bring in more revenue. But the greatest increase in government revenue has come when taxes were cut, not when they were increased. President Kennedy's tax cut led to an explosion of government revenue (too much revenue, in my opinion, because it allowed Lyndon Johnson to the Great Society and the no-win Vietnam War at the same time). And the 1981 income tax cut that took final effect in 1983 has already cut the projected deficit in half by stimulating the economy to produce more jobs.

Naturally, a tax increase has the opposite effect as a tax reduction. The tax hikes of the 1970s slowly strangled the economy until we experienced Jimmy Carter's Recession (Depression?) that began in 1979 and lasted until Reagan's income tax cut took effect. The tax hikes of 1982-84 may already be slowing down the recovery.

In years gone by, when taxes ranged up to 5 or 10% of the nation's income, the government took in plenty of revenue--enough to run all necessary programs, with a surplus left over. But today taxes take 40 percent of all income. The cost of government has risen so high that consumers have less money to spend on refrigerators, television sets, and other goods. As a result, there are fewer jobs for people who make those goods.

That means there are fewer people who can afford to pay taxes, and more people on welfare and unemployment compensation.

Every time we raise taxes to "reduce" the deficit, the cycle starts over again.

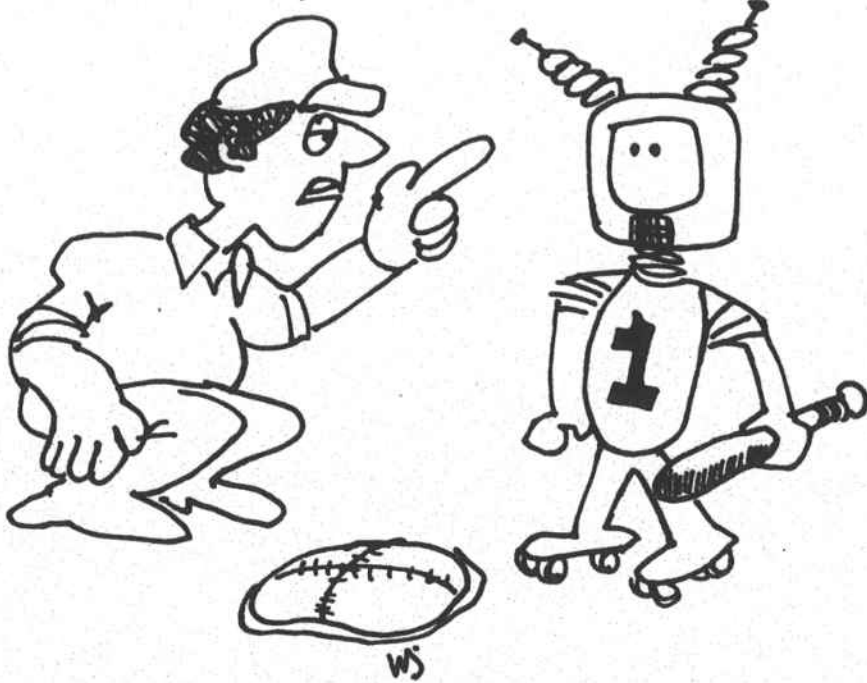
Remember the earlier tax increases? The big spenders promised the President that they would cut \$3 in spending for every dollar in increased taxes. Of course, the opposite happened--they increased spending even faster than taxes, so that as taxes went up, the deficit went up, too. For each dollar of new taxes, spending went up \$1.14; therefore, for each dollar of new taxes, the deficit went up by 14 cents.

There's an old saying: "Fool me once, shame on you. Fool me twice, shame on me." Are we going to be fooled again by empty promises of spending cuts in return for tax hikes? The fact is that Congress, as currently constituted, has no desire to cut spending. None at all. So the columnist Evans and Novak were correct when they said promised spending cuts are "blue, smoke and mirrors" (that is, tricks) to get the President to sign another tax increase.

For too long, we have allowed the Democrats and the Republicans to gang up on us. We have given them a blank check to spend as much of our money as they want, whenever they want, for whatever they please. They treat us with contempt, assuming that we are not smart enough to recognize their shell game.

Are we going to let them get away with it again? When are we going to stand up and fight like Americans?

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Philosophies on collision course

Privatization is the opposite of nationalization. It means turning things over to the private sector instead of the public sector. It means more private enterprise as opposed to socialist enterprise.

The Marxist idea is losing ground a lot of places around the world. Margaret Thatcher is selling telecommunications and aerospace companies owned by the British government. From Hungary to China, communist governments are turning to the profit incentive

and other forms of private initiative as a way of increasing food production or to liven up other sectors of their economies.

But here in the U.S., privatization seems to be becoming a dirty word. Any proposal to sell off some government surplus parcel of federal land, no matter how unscenic or how unrelated to any useful federal purpose, guarantees a lot of wailing and gnashing of teeth. From the city power plant in Cleveland to public hospitals in

many cities, to the federal government actually selling a weather satellite or two, the answer is definitely "no"

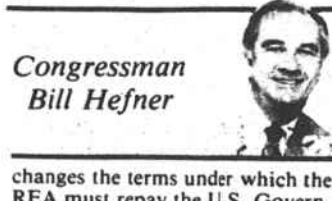
Every proposal to reduce federal employment by contracting for services with private business meets with determined resistance.

It seems rather ironic that while a good part of the socialist world is toying more and more with private enterprise, here in the world's center of private enterprise, we sometimes seem to be moving in the opposite direction.

Co-op rescue plan floundering

The financial rescue plan for the Rural Electrification Administration (REA) is meeting some opposition in the U.S. Senate and in the White House.

The U.S. House has already approved the REA rescue proposal, in fact, I was one of the bill's co-sponsors.



Congressman Bill Hefner

The rural co-ops say this bill is necessary to prevent the extinction of rural electric and telephone service. Without some sort of rescue plan, the REA's ability to lend will dry up in the 1990's. The bill

changes the terms under which the REA must repay the U.S. Government for what it lends to rural electric and telephone systems.

The problem comes from some members of the Senate who believe the financial rescue will not work. They also want to stop REA from

getting involved with the nuclear power industry and from lending low cost electrical power to large companies.

The people in the Senate and the White House have some concerns which need to be discussed, but not at the expense of this rescue plan. Agriculture and rural life are the backbone of this nation. They must not lose this important part of their lives... affordable electric and telephone service. I believe the plan will work and should be passed by the entire Congress.

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