

Need For Balanced Federal Budget With Lower Expenditures Related To Tax Relief

Now that the Battle of the Budget is taking a turn for the better as the Administration's economy drive brings the books closer to a balance than was anticipated earlier this year, the national spotlight is again turning to the record tax load borne by the people and the economy and the mounting pressures for relief.

Right now the Federal tax bite represents a quarter of the entire national income, a proportion that in the past had been duplicated only during World War II and then only for a relatively short time. With the prolonged business boom showing signs of leveling off and competition once more intense, there has been increasing concern over the effect of such a tax burden on individual and business incentive and willingness to take risks—elements that play such a vital role in the dynamics of the American economy and its forward progress.

Objective of Sound Money

While the need for tax relief is undeniable, the necessity of obtaining a balanced budget must not be lost sight of either in the heat of controversy and debate. Failure to bring Federal outgo into balance with income would be a serious blow to the returning stability of buying power which the dollar has been showing in recent months. That is why the Administration will require the utmost public support for its whole program of overhauling Federal spending and taxation policies if it is to achieve its objective of sound money and a balanced budget at a lower level of expenditures.

Some easing of the tax burden is already in the cards with the scheduled 10 per cent cut in individual income taxes and the expiration of the excess profits tax on corporations on January 1. The effect on the Federal budget during the current fiscal year ending next June will be small, but together they will mean an estimated \$5 billions drop in Federal revenues in the next fiscal year. To this sum may be added about \$3 billions more in corporation and excise taxes slated to expire next Spring.

Though the estimated budget deficit has been cut by 60 per cent since January, the latest figures still show nearly \$4 billions of "red ink" for the current fiscal year. Thus, with conditions as they are and with the need of maintaining a strong national defense, the Government faces the prospect of finding billions of additional revenue if its books are to balance on

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Evolution of Tax Structure

A country's tax structure can be regarded as a product of evolution arising out of historical background and changing economic conditions, but there is always a certain amount of emotionalism and political opportunism mixed in as well. In the United States, there has been an increasing reliance over the years as the income tax on individuals and corporations as a source of Government revenue, and this has become predominant in the last decade.

Today, income taxes levied on the

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people and on business represent about 76 cents of the entire Federal revenue dollar. This proportion has never been so high, even in war, and is far greater than the use of the income tax as a revenue source by other countries.

The Administration is now making an intensive study of the whole tax structure and all possible sources of revenue with an eye to the new tax bill which it will send to Congress in January. It is interesting in this connection to note the data compiled by the National Industrial Conference Board giving an insight into the tax structures and revenue sources of the principal Western countries.

Revenue Sources Abroad

These figures show that no country but the United States collects as much as half of its revenue dollar from income taxes on individuals and corporations. Great Britain was the highest in this respect outside this country, getting 49 cents of its revenue dollar from income taxes. Canada's proportion was just under 49 cents of the revenue dollar, and the ratios for the other Western countries ranged down to less than 12 cents for Italy.

Many countries employ a general sales tax. It varies as sources of revenue, ranging from about 7 cents of sales tax. It varies as source of revenue, ranging from about 7 cents of the Government's income dollar in Great Britain, nearly 15 cents in Canada, and as high as 36 cents in France.

All other countries except the United States likewise rely on excise taxes and customs duties as important sources of revenue. These taxes provide the British Government with a third of its entire income, and Italy as much as 45 per cent. Excise taxes currently represent about 13 per cent of the American Government total revenue dollar while customs duties are comparatively unimportant and make up less than one per cent of all Federal revenues.

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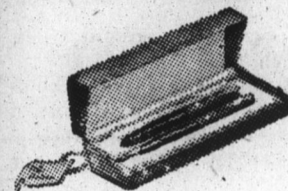
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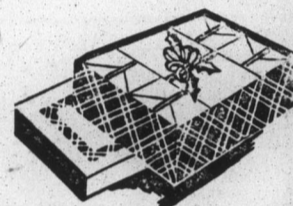
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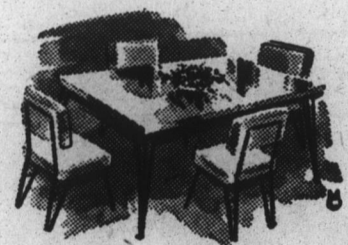
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