The Creation of Poverty

VINE DELORIA JR., a Sioux Indian, writing in the New York Times Magazine **of Dec. 7, 1969** ("The War Between the Redskins and the Feds"), **refers to the American Indian practice of holding land in common by the tribe, and gives the following bit of history:**

"Church pressure to individualize the tribes and dispose of the tribal land estate resulted in the passage of the Dawes Act in 1887. This act divided the reservations up into allotments of 160 acres, and each Indian was given a piece of land for farming. The remainder of the tribal holdings was declared "surplus" and opened to settlement by non-Indians.

"Before allotment was forced on the tribes, there was no poverty on the reservations. The minority report issued against the policy mentioned the complete absence of pauperism among the Five Civilized Tribes of Oklahoma. It suggested that the Indian method of holding land for an entire community might be superior to the idea of non-Indian society, in that this method precluded a class of people that was perennially poor, while non-Indian society was plagued with poverty in its lower economic class.

"The effect of individualizing the tribal estate was the creation of extreme poverty on many of the reservations. Individual Indians, unaccustomed to viewing land as a commodity, were easily swindled out of their allotments. Good farm land often went for a bottle of liquor, white trustees of individual Indian estates often mysteriously inherited their wards' property, and dying Indians were known to have mysteriously given their lands to churches before expiring. One Indian commissioner trod on egg-shells during his term because a half-million-dollar Indian estate passed on to a missionary society instead of to the Indian heirs. Between 1887 and 1934 some ninety million acres of land left Indian ownership in a variety of ways. The actual circumstances in some cases have never seen the light of day.

"Indians who sold their lands did not merge into white society and disappear. They simply moved into their relatives' lands and remained within the tribal society. Thus, the land base was rapidly diminishing while the population continued to remain constant and, in some cases, grew spectacularly."

Review and Reflection

BY

ROBERT CLANCY

"THE AMERICAN TAXPAYER is on the brink of revolt". We have been hearing this refrain for a year or more. I would like to believe it—but which way did the revolt go? There are bubblings and groanings, but no explosion.

It has been said that a country passes the danger point when its taxes exceed one-third of the national income. The U.S. has stepped over this line and joined most of the world in this respect (welcome to the club). The real danger is not in revolt but in passive acceptance.

Once upon a time when taxes were light, Americans were quick to create pandemonium over a slight increase. But now that American taxes are approaching the scale of other countries, Americans are becoming as dulled to it as other people.

Although everybody grumbles about taxes, very few really want to do anything about it for fear of losing a government hand-out in one form or other. When Barry Goldwater was running for President in 1964 there was a widespread impression that he wanted to do away with social security. People went into shock over that, and this fear was undoubtedly the chief factor in the worst defeat any major Presidential candidate has ever suffered. (As election time approached, Goldwater became milder and milder about the things he would do. If he had been elected, most people would have surely found their way of life unchanged.)

We might recall that there was a "tax revolt" in France a few years ago, led by M. Poujade, which came to nought, most likely for similar reasons. Taxes in France are like the recipe for a French sauce—a little bit each of a million ingredients, undetectable individually, and keeping the pot simmering but never boiling over (a variation of the Colbert recipe about the goose and the feathers).

Taxes Italian-style are such that if a taxpayer were idiotic enough to pay them all meticulously, he would end up by paying more than one hundred per cent of his income. It is naturally assumed that every Italian taxpayer lies outrageously in making out his tax form, and the government in turn uses a multiplication factor to arrive a little closer to the truth. The result is about the same amount of taxes collected as everywhere else.

In the more "advanced" countries the ability-to-pay

THE TAX BITE

theory of taxation prevails, and the philosophy behind the income tax—mainstay of most national revenues—is that the more you have the more you pay. This philosophy reverses the wisdom of Solomon and says instead: "Better is a little without right than great revenues with righteousness," for the income tax seldom asks if you worked hard to reap a large revenue or stole a small revenue—the quantity is what counts. This is called "progressive taxation".

Even within its own frame of reference, the income tax in the U.S. has failed in its stated goal of equalizing wealth distribution. After more than half a century, the income tax bears most heavily on low and middle incomes while high incomes get off relatively lightly. The government has found that not as much revenue can be obtained from a few high incomes as from many low incomes. Furthermore, the people and corporations in the upper brackets have the wherewithal to explore and exploit every tax loophole. It is reported that in 1967 twenty-one persons with annual incomes of more than a million dollars paid no federal taxes at all, and 155 with incomes of 200,000 dollars or more also paid nothing. One extremely sore point is the oil depletion allowance in the income tax law whereby $27\frac{1}{2}$ per cent is deducted from income from oil because of the supposed "depletion" of this asset. Many oil companies and oil millionaires go on for years paying no income tax.

The income tax has been "reformed" again and again, and it always winds up the same way—a hopelessly complicated patchwork that nobody understands, leaning heavily on the "little guy" while the big boys stand off, keeping their share of the tax burden very light.

One more such income tax reform has been undertaken as a result of the various bubblings and groanings. Some people who seem to know something have sought as targets the oil depletion allowance, also the capital gains deductions, especially on real estate increments, and corrective legislation was introduced. However, the special-interest lobbies in Washington kept quietly and steadily at work, whereas the average citizen contents himself with a sporadic outburst.

A greatly watered down tax reform package is being offered by Congress. Some concessions are made here and there. Some provisions, under the guise of reform, actually provide tax shelters for unearned incomes; for instance, various minerals have had their depletion allowance increased. Some old loopholes have been plugged, and some new ones opened up.

What started out as a basic and drastic reform is beginning to look more and more like income tax reforms in the past. When the squawking has died down and new feathers grown, the same business will go on. Taxes will go up, the little fellow will be squeezed, the vested interests will continue their Olympian course.

Having started with the wrong philosophy, the income tax cannot be "reformed" satisfactorily. The best reform is to get rid of it and start again from a different premise: that earned incomes rightfully belong to the individual, untaxed, and that unearned incomes and socially produced incomes are the proper source of public revenue.

Too Many Economists

From Lord Beeching's inaugural Presidential Address to members of the Economic Research Council, Oct. 1969

I HAVE NO unbridled regard for economists in general. I think it possible that they have, as a body, done more harm than good during this century. Here I hasten to say that my scepticism does not relate to soundly established economic principles, but to the effects of too many economists building too much that is questionable upon too little that is certain.

The truths which form the basis of the economists' specialised role are few in number, and, in their more simple forms, are readily understood and accepted by most people. Economists' expertise lies in tracing the influence of these truths in ever more complex and confusing situations.

This inevitably leads them into the study of problems in which their own special knowledge and skill becomes a diminishing part of the whole. Unfortunately, however, their humility does not always increase in inverse proportion, and they become assertive among those who are made diffident by a greater awareness of ignorance of many factors encompassed by the whole problem.

Over the vast, diffuse, peripheral area of their influence, economists are wrong more often than they are right, in the conclusions which they reach about practical situations. Most of the papers written by economists involve, among their purposes, the proof that some other economist has been wrong. Indeed, it has become a joke that you can