

outstanding profit record. In thousands of other situations, more meaningful to the consumer, prices are escalating, and the administration has no plan or program to keep them in check.

The economy today is a complex of record profits, rising prices, record interest rates. There is an open invitation to labor to translate 1966's price inflation into 1967's wage inflation.

It's not anything this administration can be proud of. What we have here is not "new", nor "old", just bad economics.

THE PROPERTY TAX—A NATIONAL DIALOG NECESSARY

(Mr. CURTIS (at the request of Mr. SMITH of New York) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. CURTIS. Mr. Speaker, in the forward to a study of the property tax written by Prof. Dick Netzer of New York University, published by the Brookings Institution, it is stated that this is the first comprehensive analysis of the property tax to be undertaken since 1931. I am happy that at long last such a study has been made. However, it is only a first step to developing a dialog in this vital area. It is a tragedy that for over 35 years this area has been so neglected by the scholars.

Mr. Speaker, the property tax has responded in noble fashion to the demands of local governments for revenues to finance education and other community facilities, throughout our history and has made unusual contributions since World War II during the education and population explosion. I am convinced that properly updated, developed and enforced, the property tax can continue to support expanding educational services, under the control of local governments, and remain a principal source of local government revenues.

It is disturbing when scholars both inside and outside of the Congress ignore and pass off the property tax as inadequate for modern needs without even an attempt to make a thorough study to understand fully its capabilities or its basic economic theories. Much creative innovation has gone into making adjustments in the tax by various local communities to keep it progressive and a spur to economic development. However, these innovations have gone unstudied and unheralded and therefore have not been adopted by other communities throughout the United States to the extent that they could and should be adopted.

Incidentally, the development of a modernized real estate property tax is the basic land reform needed by almost all the so-called economically underdeveloped countries.

Last week in an editorial of the July 11 edition of Newsweek magazine Raymond Moley contributed to carrying forward a national dialog which is urgently needed on this subject. I am inserting Mr. Moley's editorial into the RECORD to bring it further to the attention of my colleagues and others:

PROPERTY TAX REFORM

(By Raymond Moley)

The income tax has so monopolized public attention that, until recently, the property

tax has been noted only as a local or personal issue. But this tax yields approximately \$23 billion, which about equals the yield of the corporation income tax. And without the property tax, the income tax would become an insupportable burden.

The property tax, with its inequities and its mode of collection, touches substantially every business and millions and millions of homeowners and tenants. Its reform thus becomes a great national problem which only recently has been publicly recognized and commented upon.

At the root of the operation of the property tax is the assessor. But his office, a political plum tree, generally operates under antiquated and unfair laws and methods.

A year ago in Claremont, Calif., I attended a conference of assessors of a number of American communities who exchanged views about the improvement of their work with several of their counterparts (valuers) from Australia and New Zealand, where assessment is highly professionalized. What emerged was the critical need in the United States for reform in the method of selecting assessors, in the rules and laws under which they operate and in the qualifications for the chiefs and their staffs.

CORRUPTION

It is a deplorable commentary on our civilization that the need for reform is seldom recognized until scandal and crime are unearthed. This awakening has recently come to three California cities.

The need for revenue for San Francisco, Oakland and San Diego suddenly threw the light upon the county assessors there. Grave irregularities were revealed and published in the press. The assessors in San Francisco and Alameda counties were indicted and convicted. The death of the assessor in San Diego brought about a change in the office. The major charge was wholesale bribery. Before all this happened, a new assessor in Los Angeles, Philip Watson, had instituted fundamental reforms, and his office is recognized as competent and clean.

In California, as in many other states, assessors are elected. This introduces politics and with it some of its familiar evils. For the assessor has such potential over taxpayers that the temptations are very great to show favoritism at a price.

The best opinion is that assessors should be appointed, perhaps by a bipartisan state board, that high qualifications should be imposed and that their staffs should be up to civil-service standards.

A second reform should be the imposition, by law and practice, of standard valuations on all property at a specified percentage of the market value and subject to constant review.

HIGHER LAND ASSESSMENTS

But a still more basic reform should be a correction of the present disparity in the valuation of building improvements and of land.

In San Francisco the Arthur D. Little consulting firm was recently employed by the City Planning Commission to study property-tax policies. A major feature of its report was the disparity between the tax burden upon land on the one hand and improvements on the other. It pointed out that over a period of ten years the assessed valuation of the land had actually dropped from 80 to 25 per cent. "Thus, the burden of taxation has been falling more heavily on improvements on the land than on the land itself. With this trend and the threat of a growing tax rate, owners will be reluctant to improve their property, lest the increase in taxes nullify the benefits of the improvements. . . . Furthermore, the disparity in assessed value between new and old buildings selling at the same price discourages new construction and the replacement of old buildings."

This verdict today confirms what was said by David Ricardo, the great British econo-

mist, a century and a half ago. He said that what is good for the landowner is bad for every other element in the economy.

Moreover, a land tax is almost completely shielded from corruption.

Sit on the land. Don't improve your property, and you will profit. But build and improve, and the tax gatherer will pounce upon you as if you were an enemy of the republic.

CURRENT U.S. POLICY AND THE BALANCE-OF-PAYMENTS PROBLEM

(Mr. CURTIS (at the request of Mr. SMITH of New York) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. CURTIS. Mr. Speaker, our continuing and currently growing balance-of-payments deficit demands that we consider all soundly developed remedies. As a result of a 2-year study, the International Economic Policy Association has recently published a book entitled "The United States Balance of Payments: An Appraisal of U.S. Economic Strategy."

An appraisal of this work by Henry Hazlitt in Newsweek is worthy of my colleagues' attention. I ask unanimous consent that it be printed in the CONGRESSIONAL RECORD.

[From Newsweek, July 4, 1966]

BUSINESS TIDES: SHORTSIGHTED REMEDY

(By Henry Hazlitt)

The latest and in some ways the most thorough study that has ever been made of "The United States Balance of Payments" has just been published in a large book of 200 pages by the International Economic Policy Association. This is a private research group whose membership includes twenty major U.S. corporations. It makes, altogether, 33 recommendations for solving the payments deficit. Most of these are in the right direction, and some of them are excellent.

The most important recommendation is negative: the Administration should abandon as soon as possible its restraints on foreign investment.

By trying to restrain and penalize foreign investment, the government is in effect treating such investment (which even in total accounts for less than 10 per cent of our outgoing payments) as if it were actually the cause of the payments deficit. Making foreign investment the scapegoat is completely arbitrary. It happens also to be foolishly shortsighted.

WHOSE DEFICIT?

The IEPA study, in fact, points out that for several years the private sector as a whole, as a result of export surpluses and income on private investments abroad, has generated a payments surplus, while Federal spending (foreign aid, military outlays, etc.) has been "consistently in deficit by over \$3 billion a year, notwithstanding tied aid and military-hardware sales." The study calculates that exports to affiliates of U.S. manufacturing corporations account for 35 per cent of total U.S. exports of manufactured goods. In addition, direct investments abroad by U.S. companies return earned income which exceeds the outflow of capital in nearly every industry and in practically every area of the world.

The government insists that its foreign aid, even though it is given away, does not seriously add to the payments deficit. This is because, it argues, 80 per cent of AID's economic assistance has been in the form of goods and services procured in the United States. The IEPA study admits that this device of "tying" aid to purchases in the U.S. may curtail the direct adverse impact on the