



William Raspberry

Give Poor a Tax Break

DEAR MR. PRESIDENT: If I understand your proposal for liberalizing tax deductions for depreciation of plants and equipment—and I'm not at all sure that I do—it is a scheme for encouraging manufacturers to replace aging equipment and thereby increase capital outlays and quite possibly jobs. In short, the \$3-billion-a-year tax break is aimed at stimulating the nation's lethargic economy. The trouble with your proposal, which some opponents, including Ralph Nader,

right, illegal, is that its direct benefits would accrue only to the rich, the owners of big companies. The rest of us would have to have faith that the big businessmen would reinvest the savings and "trickle down" to us such benefits as increased employment. Faith being an increasingly scarce commodity, let me suggest, sir, that if you are serious about wanting to use tax breaks to stimulate the economy, you are starting at the wrong end.

Big business might well decide to reinvest the tax savings that your proposal would provide; then again it might decide to increase dividends to stockholders. That is much too "iffy" a cure for a very sick economy. But if there is any certainty in the universe, it is that poor people will spend at least all the money they have; they really haven't a choice.

THIS BEING the case, my proposal is that you move to grant a tax break to poor

The "trickle down" effect of tax breaks for big business is a matter of big business's options; the "trickle up" effect of tax breaks for the poor would be a certainty. Poor folks, if they obtained such breaks, could be counted on to buy more television sets, cars, furniture—whatever the manufacturers manufacture—and everyone would be happy.

Poor folks would be happy with their new purchasing power; and big business would be happy with its increased income. (Why should a businessman care whether his bank account grows faster through tax breaks or through increased sales?)

Nor should there be much difficulty in working up a proper rationale for such a policy.

Your justification for the \$3-billion tax break is that, since equipment purchases come out of a business's profits, it is fair to permit businessmen to deduct the cost of such purchases for tax purposes. Depreciation is simply a device for deducting such costs over a period of years rather than all at once. Your proposal would permit a businessman to shorten, by 20 per cent, the period over which equipment would depreciate to

the point of theoretical worthlessness.

ADMINISTRATION spokesmen acknowledge that not all equipment wears out, or becomes outdated, at the same rate. But to work out item-by-item depreciation schedules would be too burdensome, they say.

What you propose, in effect, is to let each individual businessman decide for himself his own depreciation rate. That strikes me as a little risky, but that's another question.

The justification for my own scheme is based on the common knowledge that poor people pay too much for nearly everything, whether appliances, loans, rent, groceries—or taxes. They also get the worst of governmental services: schools, police and fire protection, sanitation, and so on.

Any competent government statistician could work up figures to show by approximately what percentage poor people pay more and get less. That would furnish the basis for granting a tax abatement of 30 per cent, or whatever the figure turned out to be.

THE ATTRACTIVE feature of my scheme is that it is calculated to work itself out of existence. A poor family that got a 30 per cent tax break might soon find it possible to move to a neighborhood that offered better schools and police protection, which would reduce the need for the income tax abatement.

More important, the things they would buy with their newly available cash would lead to more production, which means more jobs. And with more jobs open to the poor, there would be fewer poor of them and, therefore, fewer people getting the tax break.

The result would be more of everything for everybody, and more taxes for the government. If you move quickly enough to institute my scheme, it might start to show results in time for the 1972 elections.

In any case, I'll leave the timing and the details to the experts on your staff. I am, after all, just a newspaper guy.

Sincerely,