

# 'Money Squeeze' Hits Government's Big Spenders

By HENRY C. MacARTHUR  
SACRAMENTO — (CNS) — More and more indications that the "money squeeze" in California, and the nation as well, is working to the disadvantage of the public, and in the long run, is going to be costly in the field of taxation, are apparent as government officials with voracious appetites seek ways and means to maintain public operations in the style to which they are accustomed.

Comes now State Sen. Stephen P. Teale, D-West Point,

who says the "tight money" situation in California has created a cash flow crisis that "makes tax reform mandatory."

The state, he says, currently is facing a cash flow deficit of \$269.9 million for school building aid, junior college, and higher education construction "because of the inability of the state to market bonds which were earmarked to finance these projects, which also include the state water project, and many state capital construction projects."

By the end of 1960-70, the state will be unable to sell \$645 million in bonds scheduled to be sold to finance these and other state projects.

Already, Casper Weinberger, state director of finance, has announced that borrowing from state funds will be done to assure completion of school aid projects authorized for completion before the beginning of the next school year, a move which will make the school districts involved happy, but one which may cause some consternation on the part

of the general taxpaying public which will be responsible, if bond funds are not available to foot the bill.

"We are dead up against the problems of finding more revenue to fill in the bond financing gap," Teale declares, "and to put us more on a pay-as-you-go basis of state financing."

One of Teale's solutions is the imposition of compulsory withholding.

"What we are looking at here," he said, "is a way to raise additional revenue to meet this new cash flow need

without new taxes or raising the tax rate. This will mean a drastic reform of the taxing structure."

This is a solution harking back to the days of former Governor Edmund G. Brown, who was successful in his use of one-time exigencies for bringing new money into the state treasury at a long term cost to the people of the state.

In other words, Brown jumped from a cash to an accrual basis of financing which saved the day for one year without an increase in taxes,

but augmented a deficit situation which resulted in part for a billion dollars tax increase later.

Withholding conceivably could have the same effect. The state could garner in at least, part of what is necessary to alleviate the cash flow situation, but eventually it would necessitate a tax increase to keep up the masquerade.

While the problem of securing more money without tax increases may be solved temporarily, it is somewhat illogical

to expect that such procedure can continue far into the future, and experience has proven that it isn't possible. No one yet has suggested any major tax reductions of the billion dollar increase in 1967 necessitated because of the one-time devices used in the previous administration.

Thus, no matter how thin you slice it, the taxpayer stands to get the short end of the horn because of officialdom's insistence on maintaining government at inflation levels.

## Your Right to Know

Is the Key to All Your Liberties

## Comment and Opinion

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### Free Choice Curbs

Mass production and mass distribution are the foundation of the widely distributed abundance that we all enjoy. Both are products of our free market, free choice economic system—a system that permits the consumer to walk into any store of his choice and select items from the shelves at his own discretion. The free market means exactly what it says. No one is looking over your shoulder when you make a purchase. On the contrary, merchants are anxious to please customers. That is how they stay in business.

But something new is entering the distribution system in the guise of the "boycott." Through the medium of the boycott, every effort is being made to force the nation's merchants to discontinue carrying a certain item on their shelves, thus depriving consumers of the basic right of free choice. In this instance, the boycott is aimed at table grapes. If the boycotters have their way, there will be no grapes on store shelves this summer — or possibly any other summer if the conditions of the boycotters are not met. The controversy is over the question of unionizing agricultural workers in California. And supermarkets are under pressure to take sides in the dispute. If they are forced to remove grapes from their shelves, they are forced into the role of judge and jury in the dispute.

If this process works with grapes, no one knows what may be next—there are 8,000 items in a modern supermarket. Tomorrow it may be bread, milk, meat, or some other necessity. The principle involved in this dispute is simple. It is the principle of free choice upon which mass production and mass distribution rest.

### Other Opinions

ADEL, IOWA, NEWS: "The proposal now under fire whereby the government would stop the advertising of cigarettes could have damaging effects. . . . There are physicians and dieticians who say that bread, potatoes and starches are bad for the health, and some who say meat is not good for you. . . . a move could be made to halt the advertising of these products. Eventually the government would control all advertising on products that someone says 'is not good for you.' Now, this may sound ridiculous but stranger things have happened."

COATESVILLE, PA., RECORD: "Former Commissioner of Internal Revenue, Mortimer M. Caplin, told the House Ways and Means Committee: 'The American fulfills his obligations of citizenship with integrity, a deep sense of patriotic duty and a better will than taxpayers anywhere else in the world. And while he may grumble as he makes out his tax returns and digs deeply into his pocket — I see no current evidence of citizen participation in another Boston Tea Party.' Maybe Mr. Caplin doesn't, but members of Congress report increasing numbers of tea bags in their mail."

MALVERNE, N.Y., HERALD: "When LBJ was President his administration decided that the American people should answer in the 1970 census, under penalty of \$100 fines or 60-day imprisonment such question as: 'Do you own a dishwasher? Where were your parents born? And do you own a second home?' . . . now more than 100 Congressmen of both political parties have introduced bills to prevent the Census Bureau's asking what the parties consider personal questions. . . ."

ROCKLAND, ME., COURIER-GAZETTE: "Perhaps the government hasn't kept up with the times. This was the thought of the father of a good-sized family recently as he referred to the \$600 deduction allowed for dependents by the Internal Revenue Service. He may be right, quite right at that. The allowance is totally out of line with costs of caring for a dependent today, be it a school age child or an adult. While we realize that one man's protest is not going to gain results, the heads of households everywhere probably are of the same thinking, and also feel that their voice would not be heard in the wilderness that is Washington. We just wonder what would happen if by chance their voices were heard and gained in volume as their numbers grew."

## To Sabotage U.S. Defense Factories



### Sacramento Report

## Tax Reform a Difficult Job, Senator Discovers

By RALPH C. DILLS  
Senator, 32nd District

One of the most difficult problems the Legislature has to solve is that of tax reform. Most of us are quite aware that the solution is long overdue, and many of us have pledged to our constituents that the subject would be resolved at this session. The result, as can well be imagined, is a monster which must be culled and sorted by the appropriate committee in order to arrive at the fairest and most equitable plan.

Toward this end the major tax reform subcommittee of the Assembly Revenue and Taxation Committee has devoted long and arduous hours to arrive at a formula which includes, among other things, the controversial state income tax withholding program. Other features of the omnibus proposal include increased sales

taxes, higher bank and corporation taxes, and limitations on oil and gas depletion allowances.

The consensus plan is admittedly composed of bits and pieces from most of the previously-introduced proposals, with limitations or embellishments added by the subcommittee.

The subcommittee chairman emphasizes that the plan does not increase the tax burden, but shifts that burden from the property tax and places it on those who are not now carrying their fair share.

Generally, the plan would make available \$1.052 billion in funds which can be used for property tax relief. It would produce \$100 million by closing tax loopholes. It would increase the homeowners exemption from \$750 to \$1,500 to provide \$234 million in direct

property tax relief to homeowners.

Renters would benefit through a state program of reimbursing low-income renters for a portion of their rent. In addition, the plan would put controls on any further tax increases by school districts, double the senior citizens property tax relief program, provide full state funding of all welfare costs, and permanently increase the business inventory tax exemption to 30 per cent from its present 15 per cent level.

The withholding provision is evidently the most controversial in the plan, particularly with the outspoken opposition of the Governor to any withholding of state income tax. The subcommittee chairman claims, however, that the general public and the business community now support the withholding concept. Practically, he says, withholding must be included to achieve passage of any tax reform package through the Legislature.

The withholding provision itself, the chairman claims, would yield some \$135 million annually, while the increase in bank and corporation taxes would be expected to produce \$50 million a year. The limiting of the deduction of 27 per cent on the oil and gas depletion allowance of the actual cost of drilling would provide an additional \$20 million.

Minimum income tax, allocation of expenses between taxable and excludable income, elimination of tax evasion from use of multiple similar trusts to keep incomes in the lower brackets, and other reforms are expected to provide an additional \$100 million in new funds.

Although bipartisan in approach and content, the consensus plan as proposed by the subcommittee is not guaranteed approval in either house of the Legislature. Debate on the plan in general and the provisions in particular will be long. But true tax reform for the people of California is nevertheless within sight.

## HERB CAEN SAYS:

## She's Pretty; If You're Not Hooked on Gardenias

Among the many memorable applicable-to-today lines in ACT's "Rosencrantz and Guildenstern": "We are given alternatives, but not choices" . . .

Hostess Nancy Tanabe, the prettiest thing at Trader Vic's unless you're hopelessly hooked on gardenia floats, married Basketball Coach Dante Belluomini this week after a short five-year engagement. However, she will continue to adorn the portals in Cosmo Place . . . Gail "Mother" Garnett is off to Paris next month for TV appearances and a recording session with her group, the Gentle Reign.

In one ear: Maestro Josef Krips is still so grief-stricken over the death of his beloved Mitzi that he may not return to S.F. at all this season, report mutual friends in Vienna . . . Trader Vic and Benamino Bufano are turning into a regala don't-inventem. Benamino is so sore at the Trader for cutting him off at the pass (no more free chow at the rock-ribbed rumple) that he may take back all the statuary he loaned his Bennyfactor. Including that big bear outside Senor Pico . . . Frank Collision wonders if the White House has been alerted to the big Govt. Property sale here? On Page 10 of the brochure issued at 100 Harrison: "Mule, name Nixon, gelding" . . . You're supposed to CARE about things like this, even if they're late: Pia "I'm Available" Lindstrom went to the Academy Awards with Hugh O'Brian, which is said to beat sitting home alone . . .

A Mess of Dottage: Eldridge Cleaver's picture in the Main

Library came off the wall for the Grand Jury's recent tour. Then it went up again. Now it's down again for the Mayor's visit — and I get the feeling it could be gone for good . . . Columnist Bob Considine's son,

### Report from Our Man in San Francisco

Mike, and ex-Marlin Co. Supervisor Tom Storer have taken over the 100-yr-old Marshall Hotel and Saloon on the Eastern shore of Tomales Bay. "At the edge of the San Andreas Fault," says Tom proudly. Is this the new status symbol? . . . And did you know that the big old Fulton St. house occupied by the Jefferson Airplane is where Enrico Caruso spent the night after the earthquake? So claims the landlord. Never argue with landlords . . . Absolutely final item on the entire damb subject: Jimmy Price met some hippies who told him that "if the earthquake doesn't happen pretty soon, we're going up to the San Andreas Fault line with crowbars, stand on the uphill side and try to pry the downhill side into the Pacific!"

Sculptor Spero Anargyros, whose proposed statue of entangled male nudes has been blown out of the murky waters of the Palace of Fine Arts Black Lagoon, has also blown his marriage to Nedro, the original "Dragon Lady" of the comic strips; a property settlement is being worked out, unquote . . . The Diggers, who have done so much good work in the Hashbury for three years, are in financial trouble

again. "We're suspending operations temporarily," sighs Father Leon Harris of All Saints Episcopal on Waller. "The bread just isn't coming in any longer, and the need has never been greater" . . . Does Dr. Hayakawa, a self-confessed liberal, like being described as "The Barry Goldwater of the college president set"? The Chicago Daily News so dubs him . . . Rolling Stone, the S.F.-based rock magazine with the international circulation, was plugged big in recent issue of Time and Newsweek. Managing Editor John Burks, glumly, "Where did we go wrong?"

Artist Harry Lum gazing at Artist Bob Loberg's paintings at the Berkeley Gallery here, all executed within the last three months: "Fastest spray gun in the West" . . . A very rich and quite fancy lady is quietly buying up chunks of property in the Hashbury (under her maiden name) on the assumption that when the last hippie is gone, the section will blossom into another Union Street . . . Union, by the way, is rapidly becoming too successful for its own good. Going plastique at a great rate. Polkstrasse is still largely unself-conscious, but it could be doomed, too . . . Fifteen international journalists, sponsored by the World Press Institute, descended on S.F. last week with one burning request: they wanted a "clandestine" interview with Eldridge Cleaver, and promised to "safeguard" his hiding place. How naive can you get? . . . Philip Roth, call your mother.

## THE MONEY TREE

## Bourbon Fans Rejoice; You Can Get It Abroad

By MILTON MOSKOWITZ

Okay, bourbon drinkers, you can now get your favorite booze while traveling abroad. It hasn't conquered the world the way Coca-Cola has — but it's out there.

It used to be that barkeepers in Europe would stare at you blankly if you asked for bourbon whiskey. In French bistros, they may have taken you for a reactionary American who was demanding a return to the ancien regime.

The Bourbon family, dating from the ninth century, produced dynasties which ruled in France, Spain, and Naples — but no whiskey. Bourbon as a drink dates from 1789, when it was first produced by the Rev. Elijah Craig, a Baptist minister in Georgetown, Ky. It took its name from its birthplace — it was the whiskey from Bourbon County.

Bourbon is America's favorite hard liquor. But it's virtually unknown outside the United States, except as that firewater which helps to touch off all those barroom brawls in Western movies.

The British have long been exporting their Scotch whiskey to the four corners of the world, with the result that if you ask for whiskey in most bars outside this country, you automatically get Scotch.

The Bourbon Institute, an organization set up 10 years ago, is out to change all that. Supported by the bourbon distillers, it promotes the virtues

of this corn-derived spirit and seeks to gain wider distribution of the product all over the world.

The American distillers are bugged, of course, because we import millions of gallons of

### A Look at the World of Finance

Scotch whiskey and Canadian blends while exporting so little of our alcoholic genius. We can report today that they are beginning to make some progress.

The No. 1 buyer of our bourbon whiskey is Canada — but that really doesn't count. Canadians don't drink bourbon. Distillers such as Seagram and Hiram Walker import the bourbon into Canada and then blend it into whiskies which come back across the border under such labels as VO and Canadian Club.

These two Canadian blends sell at higher prices than bourbons — and they also happen to outsell all bourbon brands. For the bourbon distillers, that's adding insult to injury.

No, it's in Western Europe where the distilled-and-bottled-in-the-U.S. bourbons are beginning to find a little favor. You can get Old Crow, Jim Beam, I. W. Harper, Bourbon Supreme and other brands in the major European cities. The next largest markets are Australia and New Zealand.

Who are the biggest overseas

consumers of bourbon whiskey? The Germans. They drink more than three times as much bourbon as the people of any other country, though U.S. military posts in West Germany help to account for this.

In 1968, exports of bourbon went to 99 countries, reaching an all-time high of 1.5 million gallons. That was up 20 per cent over 1967. This year, in the first three months, exports soared 140 per cent over the same 1968 period.

You have to realize, though, that this is only a trickle. For comparison, note that Americans drink about 25 times as much Scotch as all our bourbon exports put together.

When President Nixon went to Europe earlier this year, the famed Savoy Hotel bar came up with a new "Nixon Cocktail" made of equal parts of bourbon and sloe gin, spiced with peach bitters.

Or course, with that kind of help, the bourbon distillers will never get anywhere. The Savoy Hotel barman just hasn't been watching those Westerns.

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