Taxes Take Bigger Bite of 8 Hour Day

Taxes bite two hours and 42 minutes out of the average taxpayer's eight-hour work day.

Calculations by the Tax Foundation show that taxes—Federal, state, and local—are the largest item—by far—in the average household budget. Computed as the work time in the eight-hour day required to meet them, it will take the average taxpayer two hours and 42 minutes a day in 1977 to pay all his taxes. The next largest item in the family budget is housing and household operation, which comes to one hour and 30 minutes. Food and tobacco comes to one hour and eight minutes.

Clothing needs take 25 minutes, transportation 40 minutes, medical care 26 minutes, and recreation 20 minutes.

All other items such as personal care, personal business and private education and savings come to 49 minutes.

"When the government takes no more than one-tenth of the people's earnings, we can perhaps afford to take a simple view about it. But when the tax bite rises to more than a third of our work time and continues upward, most of us feel more concerned about where the money goes and how it is spent.

"Families spend great care and attention on their food budget and the shopping list. But taxes cost more than twice as much as food, beverages, and tobacco. Shouldn't we exercise more care and judgment about shopping for the government services we pay for?"

May 4 is 'Tax Freedom Day'

May 4 is a day to mark on your calendar. It's the day you can quit working for the government just to pay taxes. It's called "Tax Freedom Day" by the Tax Foundation.

Tax Freedom Day is the day when the average taxpayer will have earned enough, if he worked steadily since January 1, just to pay all his taxes, Federal, state, and local. The date is calculated by Tax Foundation on the basis of preliminary figures.

Already more than a third of the way through the year, the date gets later and later. In 1976 a Joint Resolution was introduced in Congress proclaiming May 1 "National Tax Freedom Day." Senator J. Glenn Beall, Jr., of Maryland, who introduced the resolution, said "the creation of National Tax Freedom Day is one way to increase the awareness of burdens imposed on the taxpayer by government at all levels."

Revised figures on tax collections by each level of government now show that the date for 1976 must be moved ahead even further to May 3. The latest date for Tax Freedom Day was in 1974 when it fell on May 5, according to revised figures. Tax cuts in 1975 and 1976 moved the date back to May 1 and May 3, respectively.
GM’s President Estes to Speak At First Membership Meeting

Elliot M. “Pete” Estes, president of General Motors Corporation, will address a group of about 150 top executives at Tax Foundation’s membership meeting in Los Angeles April 27. This is the first of eight meetings planned for 1977. Fred L. Hartley, President of Union Oil Company of California and a vice chairman of the Tax Foundation, will chair the meeting, which will be held at The Los Angeles Club.

Meetings are also scheduled for Omaha, Denver, St. Louis, Phoenix, and Birmingham. James H. Evans, a Tax Foundation trustee and president of Union Pacific Corporation, will address the meeting at the Omaha Club June 7. Willis A. Strauss, chairman and president of Northern Natural Gas Company will be chairman.

Willard F. Rockwell, Jr., Tax Foundation chairman and chairman of Rockwell International, will be the speaker at a membership meeting at the Denver Country Club June 21. John A. Love, president of Ideal Basic Industries, is the meeting chairman. Governor Love is a vice chairman of Tax Foundation.

The following day, June 22, Mr. Rockwell will be the speaker at a similar meeting in St. Louis chaired by Tax Foundation Trustee Eugene F. Williams, Jr., chairman of the St. Louis Union Trust Company. The meeting will be held at The St. Louis Club in Clayton township.

The Phoenix meeting is scheduled for October 20 at the Phoenix Country Club. Governor Love is to be the speaker and Sherman Hazeltine is the chairman. Mr. Hazeltine is chairman of the First National Bank of Arizona.

Alvin W. Vogtle, Jr., president of the Southern Company, will speak at the Birmingham meeting on September 29 at the Birmingham Country Club. The meeting will be chaired by Herbert C. Stockham. Mr. Stockham is chairman and president of Stockham Valves & Fittings, Inc.

The purpose of these meetings is to broaden the work of the Foundation at the national level and to provide members with an overview of government fiscal problems as they affect individual and business taxes. Plans call for meetings in at least three other cities including Cincinnati, Cleveland, and Charlotte and Raleigh, North Carolina.

Britain’s Economy Reviewed At Meeting in New York

New tough economic policy will contribute a degree of stability which has been lacking in recent years in Britain’s economy. This somewhat more favorable prognostication of the British situation was expounded at a Tax Foundation meeting in New York by Mr. Dick Taverne, former Member of Parliament. Mr. Taverne is Director of the Institute for Fiscal Studies in London.

He predicted that North Sea oil will pump $14 billion a year into the British economy by 1980—a bonus, he said, that will go a long way toward solving the country’s problems for at least a decade.

Known as a tough critic of government policy in his country, Mr. Taverne outlined for his audience of Tax Foundation members some of the problems that have led to the present predicament. Among them:

- A bad labor relations situation
- Slow rate of investment
- A rate of government expenditure comprising a very large part of the GNP
- The combination of price controls and inflation, which drove many companies to bankruptcy
- Continuous increases in taxes
- The strongly egalitarian tax policy
- The government, however, is taking effective steps to deal with these problems. Prime Minister James Callaghan is a strong leader according to Mr. Taverne. Chancellor of the Exchequer Denis Healey is “very tough” and is controlling cash outlays with a strong hand, he said.

But, he pointed out, people blame the government for its failure to provide a rise in the standard of living.

Kerr Foundation Studies Oklahoma State Spending

The Economic Studies Division of Oklahoma's Kerr Foundation has published the third in its series of reports on state spending. Purpose of the report is to present to Oklahomans a clear picture of how the state government spends the taxpayers’ money, how much is spent and what purposes it serves.

The Economic Studies Division was created in 1974 to provide better information upon which to base decisions affecting the state's social and economic development. Besides the Oklahoma State Expenditures in Brief, published annually, the division publishes Oklahoma Demographics, which reports on population trends, an interstate comparison of state taxes, an economic development study of the Arkansas River Waterway, and an input-output analysis of Oklahoma’s economy, according to Foundation News.

Kerr Foundation is a Tax Foundation member organization.
Government Spending Hits $9,607 per Household

Government expenditures in 1977 will average $9,607 for each household in the U.S., according to estimates made by the Tax Foundation. The figure represents total spending by Federal, state, and local governments.

Significance of this astonishing figure is in its relationship to the income of the average family household. It is nearly half.

In 1977 the average (mean) income of the nation's 74 1/2 million households is estimated at $20,400. Government expenditures, at $9,607, equal more than 47 percent of that income, and over 70 percent of average earnings from wages and salaries alone. Total government expenditures in 1977 are estimated at $715.7 billion up from $633.9 billion in 1976.

These figures are brought to light by Willard F. Rockwell, Jr., Tax Foundation's chairman, in his forward to Facts and Figures on Government Finance.

The handbook, widely used and referred to by tax experts, is a compendium of figures such as these, which are sharply relevant to the state of the U.S. political economy.

"While measures demonstrating the size of government spending are clearly large enough to attract attention, the issues extend far beyond the amounts spent," writes Mr. Rockwell. "Is the money being spent wisely and efficiently, and is it being raised—through taxes, nontax revenues, and borrowing—in ways that best promote our national goals."

Government expenditures per household have shown a dramatic rise since 1950 when the total was $1,615 for each U.S. household. Since then expenditures by Federal and by state and local governments have each grown approximately tenfold, while the per household

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>All governments</th>
<th>Federal</th>
<th>State-local</th>
<th>Total per household</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$715.7</td>
<td>$447.3</td>
<td>268.4</td>
<td>$9,607</td>
</tr>
<tr>
<td>1976</td>
<td>633.9</td>
<td>393.0</td>
<td>240.9</td>
<td>8,699</td>
</tr>
<tr>
<td>1975</td>
<td>556.3</td>
<td>339.7</td>
<td>216.6</td>
<td>7,823</td>
</tr>
<tr>
<td>1974</td>
<td>331.0</td>
<td>208.7</td>
<td>124.8</td>
<td>5,252</td>
</tr>
<tr>
<td>1973</td>
<td>295.7</td>
<td>130.1</td>
<td>75.6</td>
<td>3,581</td>
</tr>
<tr>
<td>1972</td>
<td>151.3</td>
<td>97.5</td>
<td>54.0</td>
<td>2,865</td>
</tr>
<tr>
<td>1971</td>
<td>76.3</td>
<td>44.8</td>
<td>25.5</td>
<td>1,615</td>
</tr>
</tbody>
</table>

Grants-in-aid are counted as expenditures of the first disbursing unit. 


**History Makes Clear: Private Sector Provides Prosperity**

It is the private sector of any society that provides prosperity. History makes the point unmistakably clear that a society prospers most when its government plays the least role in its economic affairs.

This was the major thrust of a presentation made by Robert C. Brown, Tax Foundation's executive vice-president, at the annual meeting of the California Taxpayers Association in Sacramento.

Mr. Brown noted the debate as to who favors an end to unemployment. The fact is, he said, no one is in favor of unemployment. There is a difference of opinion as to how to achieve the fullest possible employment with the least disruption of the economy, taxes, and society in general.

Mr. Brown cited Charles Hull Wolfe who noted that jobs created by government will be highly visible. "What will not be visible are the thousands of jobs in private industry that could have been but will not be created because capital required to create them will be taken away by government."

The most secure jobs can be found only in the tax-paying, profit making sector of the economy. The more profit it makes, the more jobs will be provided.

Mr. Brown concluded by noting that we come back always to the same question, "how on earth can anyone believe that by spending more money we will create jobs on anything but a fleeting and temporary basis, when it is government spending that has caused us to lose jobs in the first place?"

Mr. Brown was associated with the California Taxpayers Association for eighteen years and served as its executive vice president before joining the Tax Foundation.
Full Employment Budget: A Guide to Public Policy?

The fundamental assumption of full employment budgeting is that fiscal policy can be used to reduce unemployment. So the real question is whether fiscal stimulus stimulates and automatic stabilizers stabilize.

The answers to these questions are examined by Alan Reynolds, vice president of the First National Bank of Chicago, in Tax Foundation's April Tax Review.

Under the full-employment budget concept, where there is a hypothetical surplus or deficit under a given tax and expenditure program, "too large" a full-employment surplus, relative to private demand, will be restrictive, and "too small" a surplus will cause inflation.

Deficit spending may at times be a short-run stimulus to nominal demand, Mr. Reynolds points out, but it is also a long-run drag on real supply—siphoning resources from uses that would otherwise augment the economy's productive capacity and instead diverting these resources into unproductive government programs. It is based on a sort of circular reasoning in which inflation depends on wages, wages depend on unemployment and unemployment depends on inflation.

"Since this theory cannot explain periods in which unemployment and inflation are both high, some people have concluded that the theory is right but reality has gone wrong," writes Mr. Reynolds.

The problem of secular stagnation was said to be chronic excess savings, and the cure was chronic deficits to "mop up these savings and put them to work."

"If the budget is to balance only if and when we reach a level of unemployment that in fact is almost never attained, that proposal implies literally unlimited expansion of the national debt and of the taxes needed to pay interest on that debt."

"...I view chronic deficits as an unmitigated evil," Mr. Reynolds declares. "Budget balancing is important, and a surplus would be even more constructive, but it must be obtained by slashing Federal spending—not by taxing the private sector into oblivion."

Mr. Reynolds's Tax Review paper entitled, "Full Employment Budget: How Good a Guide to Public Policy?" is based on his presentation at Tax Foundation's 28th National Conference. The full text of his remarks is published in the Proceedings, now available.

Montanye Joins Tax Foundation

Appointment of Stephen W. Montanye as director of administration of Tax Foundation is announced by Robert C. Brown, executive vice president.

Mr. Montanye will be responsible for the administration of business and financial operations.

Mr. Montanye had been with Wenner-Gren Foundation for Anthropological Research since 1963 where he served as chief financial operations officer, and was formerly associated with Metro-Media and with Hemphill Noyes & Co., investment bankers, both of New York.

He is a graduate of New York University and lives with his wife and two children in Mamaroneck.

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