



# CONGRESSMAN'S REPORT

MORRIS K. UDALL • 2D DISTRICT OF ARIZONA

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## A Tale of Two Taxpayers Part II -- What Do Their Taxes Buy?

In my last report I "created" two hypothetical Tucson families in order to study and compare the costs and benefits of our five levels of government shared by typical lower and upper income families in Arizona. We found that:

THE CARPENTERS with their \$6,600 gross annual income will pay in 1963 a total of \$1396 in taxes (22% of their income). This will include \$779 to the federal government, \$218 to the State of Arizona, \$67 to Pima County, \$113 to the City of Tucson, and \$219 to School District No. 1.

THE BARRISTERS with their \$18,500 income will pay a total of \$4934 in taxes (27% of their income) as follows: \$3416 to the federal government, \$591 to the State of Arizona, \$156 to Pima County, \$230 to the City of Tucson, and \$541 to School District No. 1.

I promised in this second report to look at the other side of the tax dollar. Using federal government figures for the current budget, and with the help of cooperative officials in Arizona, I was able to construct this overall picture of services and benefits bought with the Carpenters' and Barristers' taxes.

### WHAT THEIR TAXES BUY

Some people who write me seem to feel that government and taxes -- any government and any taxes -- are dirty words. To these critics the money taken "off the top" of a man's wages is forever gone down a rat hole somewhere. His money is seized against his will and given to his enemy, the government. The taxpayer receives nothing in return except perhaps oppression, more bureaucracy and a further erosion of his freedoms. Let us examine this line of argument as we probe whether the Carpenters and Barristers are better or worse off because of the heavy taxes they pay.

When Mrs. Carpenter and Mrs. Barrister go to the grocery store and pay out money, they know what merchandise they get in return. Let's see what kind of "merchandise" their families will receive for the money they pay out in taxes this year:

(1) War-Related Services     The strongest military establishment in the world, a vast program for leadership in Space, diplomacy to head off future wars, and paying of obligations arising from past wars. As I indicated in a previous report, 79% of all federal spending goes to cover the costs of national defense, space, Cold War diplomacy and obligations incurred in waging World Wars I and II and the Korean War. While I believe economies can be made, I also believe Americans will cheerfully pay their share of the heavy burden of keeping our country free and insuring our children a chance to grow up in a free society. For my part, this share of my taxes buys a "luxury" I would rather not dispense with. Tax funds spent:

From the Carpenters:     \$473   From the Barristers:     \$2,468

(2) General Govt., Federal     A system of federal courts, the Congress, the FBI, executive direction and management of the federal government, a Civil Service system, the Internal Revenue Service, the Department of Justice, and administration of territories and possessions. These are the basic functions of the federal government. We couldn't do without them. Tax funds spent:

From the Carpenters:     \$12   From the Barristers:     \$63

(3) Natural Resources     Hundreds of national parks, monuments and forests, protection of fish and wildlife resources, development of mineral resources, saline water research, the Federal Power Commission, Bureau of Indian Affairs, Hoover Dam, Glen Canyon Dam and all federal reclamation activities. These expenditures enable our two families to visit parks and forests throughout the 50 states. They also provide the funds for vast reclamation programs, such as the proposed Central Arizona Project. Tax funds spent:

From the Carpenters:     \$15   From the Barristers:     \$78

(4) Commerce, Housing & Transp.     Federal home mortgage insurance (FHA), a national Weather Bureau, delivery of mail throughout the United States and the world, insurance of savings deposits, regulation of the airways and seaways, operation of the Panama Canal, the Coast Guard, loans to small business, and depressed area redevelopment. FHA alone has bolstered our economy immeasurably, making it possible for 60% of the American people to own their homes. Deposit insurance protects the savings of our mythical taxpayers. The Weather Bureau and Post Office are activities we could hardly do without. Tax funds spent:

From the Carpenters:     \$21   From the Barristers:     \$110

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|---|--|--|
| (5)<br>Agri - culture                             | <u>Agricultural conservation and research, extension of electricity and telephone service to rural areas, federal insurance for farm housing, a program of farm surplus distribution to the needy and to foreign lands, and a vast program of price supports to stabilize farm income. While many of these programs have merit, urban taxpayers like the Carpenters and Barristers have a right to complain about the enormous cost of maintaining farm subsidies that merely elevate the prices of goods they buy in the grocery store. Tax funds spent:</u>          |  |
|   | From the Carpenters: \$37 From the Barristers: \$196   |  |
| (6)<br>Federal Health, Welfare, Labor & Education | <u>Medical research into all major diseases, grants to states for hospital construction, a school lunch program, aid to the aged, a federal employment service, enforcement of labor laws, aid to school districts burdened by defense activities, and other programs of aid to education. Without these programs many local and state taxes would have to be doubled. Perhaps some economies can be made here, but I think most Americans want these activities continued. Tax funds spent:</u>   |  |
|   | From the Carpenters: \$42 From the Barristers: \$219   |  |
| (7)<br>Social Security                            | <u>A paid-up retirement annuity for the Carpenters and Barristers when they reach 65, guaranteed by the federal government, plus benefits for their survivors if Mr. Carpenter or Mr. Barrister should die before reaching retirement age. This program assures each couple of at least \$175 per month when they retire, based on present income, and guarantees that if the father should die, with children at their present ages, his family would receive \$254 per month. In Mr. Carpenter's case his employer will match his contribution. Tax funds spent:</u> |  |
|   | From the Carpenters: \$147 From the Barristers: \$226  |  |
| (8)<br>Federal Highway                            | <u>Federal grants to states for highway construction. Arizona will receive \$40 million in such grants this year. One of the benefits of this program will be a uniform Interstate Highway System enabling our two families to travel from coast to coast without stopping for a single traffic light. Tax funds spent:</u>  |  |
|   | From the Carpenters: \$32 From the Barristers: \$56  |  |
| (9)<br>State & Local Education                    | <u>Construction of schools and colleges, teachers' salaries, textbooks and classroom instruction. Our two families get a real bargain here. Based on the actual costs of operating our schools in Arizona, tuition for the Carpenter children would be \$1,000 for those in public school and another \$800 for the University student, or a total of \$1,800. Without our system of tax-supported schools the Barristers would have to pay \$1,500 in tuition for their three children. Tax funds spent:</u>  |  |
|   | From the Carpenters: \$333 From the Barristers: \$872  |  |

|   |   |
|---|---|
| (10)<br>Public<br>Safety                        | <u>Fire and police protection, operation of prisons and jails, adult and juvenile probation, civil defense, licensing and inspecting commissions, the Arizona National Guard and the Corporation Commission for the regulation of utilities and public transportation. No community or state could function without these vital services. Tax funds spent:</u>  |
|   | - From the Carpenters: \$47 From the Barristers: \$109  |
| (11)<br>General<br>Govt.,<br>State &            | <u>Local and state courts, construction and maintenance of public buildings, libraries, debt service on local and state obligations, salaries of local, county and state officials, and administration of all departments and agencies. These are the basic "housekeeping" functions of city, county and state government. They include the Governor's office, the Arizona Legislature, the Pima County Board of Supervisors, the assessor, the treasurer, the office of the Mayor of Tucson, the Planning and Zoning Commission and innumerable other activities. Tax funds spent:</u> |
|   | - From the Carpenters: \$62 From the Barristers: \$143  |
| (12)<br>Streets<br>&<br>Highways                | <u>Local and state streets, highways, bridges and flood control.</u> Included are city streets and alleys, county streets and roads, flood control projects, bridges, and state roads. Those who remember when most of Tucson's streets were dirt and gravel know the value of these services. Tax funds spent:   |
|   | From the Carpenters: \$86 From the Barristers: \$167  |
| (13)<br>Parks &<br>Recrea-<br>tion              | <u>Local and state parks and recreation.</u> Tucson and Pima County have expanded their parks in recent years. Development of Randolph Park, Santa Rosa Park, Tucson Mountain Park, etc., make Tucson a much nicer place to live. Tax funds spent:  |
|   | From the Carpenters: \$15 From the Barristers: \$32   |
| (14)<br>State &<br>Local<br>Health &<br>Welfare | County and state hospitals, homes for children and the aged, veterans' services, Indian affairs and public welfare. Included are Pima County Hospital, the Arizona State Hospital, the Arizona Children's Colony, the program for crippled children, and the Pioneers' Home. These are human needs no community can ignore. Tax funds spent:  |
|   | From the Carpenters: \$74 From the Barristers: \$195  |

## SOME INTERESTING RELATIONSHIPS

From a study of the figures above I am struck by the relationships that emerge in the "total tax dollar" of these Arizona taxpayers. Let's review them:

| PROGRAM                                | SHARE OF TAX DOLLAR |                  |
|--|---------------------|------------------|
|  | <u>Carpenter</u>    | <u>Barrister</u> |
| (1) War-related services<br>General    | 34                  | 50               |
| (2) government, federal                | 1                   | 1                |
| (3) Natural resources<br>Commerce,     | 1                   | 1 1/2            |
| (4) housing & transportation           | 1 1/2               | 2                |
| (5) Agriculture                        | 3                   | 4                |
| (6) Health, welfare, labor & education | 3                   | 4 1/2            |
| (7) Social Security                    | 10 1/2              | 5                |
| (8) Federal highway grants             | 2                   | 1                |
| (9) State & local education            | 24                  | 18               |
| (10) Public safety<br>General          | 3                   | 2                |
| (11) government, state & local         | 4 1/2               | 3                |
| (12) Streets & highways                | 6                   | 3                |
| (13) Parks & recreation                | 1                   | 1                |
| (14) Health & welfare, state & local   | 5 1/2               | 4                |
|  | \$1.00              | \$1.00           |

Here are a few of the relationships shown here which strike me as most significant:

\*\* The vast majority of our taxes go to pay for two things: 1) the cost of past, present and future defense of our country, and 2) education. If the public schools were closed

and war were abolished, the Carpenters and Barristers could be relieved of roughly two-thirds of all their present tax burden.

\*\* While Uncle Sam takes most of the criticism, his performance compares rather favorably in some respects with state and local governments. Note in particular these comparisons:

Cost of Government. Depending on their level of income, Arizona taxpayers spend from 2 1/2 to 5 times as much for administration of state and local units of government as they do for administration of the "vast bureaucracy" of the federal government.

Parks & Recreation. Our two taxpayers pay a total of \$47 for local and state parks. For an additional \$93 in federal taxes they "receive" the entire national park system, including Grand Canyon; all national monuments, including Sahuaro and Chiricahua; all national memorials, including Coronado; all national forests, including Tonto and Apache; and hundreds of other parks, forests, recreation areas and other public facilities in the 50 states. Thrown in for good measure are all federal reclamation programs, such as our proposed Central Arizona Project costing \$1.1 billion.

Education. Arizonans spend 4 to 8 times more for state and local schools than they spend for all federal activities in health, welfare, education and labor. This doesn't include local expenditures for health and welfare, which would raise the ratio to 5 and 10 times, respectively.

Streets & Highways. Arizonans spend up to three times as much for construction of local and state roads and streets as they spend for the entire federal highway program.

## ALL GOVERNMENT IS SOCIALISM?

General denunciations of "big government" and "high taxes" take on a superficial appearance when the details of government are picked up and examined one by one. The editors of Human Events Magazine, who talk about "Tax Freedom Day" as "the day you stop working for the government", often hit this simplistic theme: "32% taxes equals 32% socialism. " In his book, The Conscience of a Conservative, a well-known Arizona author expressed this philosophy very bluntly:

"The average American is ... working one-third of the time for government: a third of what he produces is not available for his own use but is confiscated and used by others who have not earned it. Let us note that by this measure the United States is already one-third 'socialized'."

This statement is often repeated, and yet my analysis indicates beyond question that less than 1% -- if that -- of the Carpenter and Barrister tax money goes to finance "socialism", a term which properly means government ownership of factories, railroads and other basic means of production and distribution. The money Arizonans pay to buy national defense, the Post Office, parks, forests, schools, courts, highways, police, and fire protection does not buy socialism. It buys public services a free people in a free enterprise system want and could not do without.

## CONCLUSION

These two newsletters have not been written to argue for more spending by federal or state and local governments. We must constantly search for economies and reduced taxes at all levels of government, and I pledge to do my part.

Economy should be our goal, but democracy cannot long survive if our freely-elected governments at all levels are treated and thought of as remote, inhuman, Frankenstein monsters which seize hard earned money from their helpless subjects, giving nothing in return. The purpose of these reports has been to help you arrive at a better understanding of what you receive for your tax money.

The people who talk about "Tax Freedom Day" have a catchy way of dramatizing the amount of taxes paid by people like the Carpenters and Barristers, but how much sense does it make to talk about slices and ignore the size of the whole "pie"? People who grumble about the heavy burden of taxes they carry should consider this startling fact, buried in the Statistical Abstract of the United States:

Americans today, after they have paid all their federal, state, county, city, school district and other taxes, all parking fines and import duties -- every dime collected by any unit of government anywhere -- have left for their personal use 65% more real income (after deducting for inflation) than they had in the "good old days" of 1929.

Are the Carpenters and Barristers better off because of the taxes they pay? I say, emphatically, yes.

A handwritten signature in cursive ink, appearing to read "Murray Eddee".