

UNITED STATES

Congress



OF AMERICA

Congressional Record

PROCEEDINGS AND DEBATES OF THE 94th CONGRESS
SECOND SESSION

VOLUME 122—PART 15

JUNE 14, 1976 TO JUNE 17, 1976

(PAGES 17841 TO 19066)

[From the Augusta (Ga.) Chronicle, May 19, 1976]

WILLIS IS HONORED BY AIKEN FACULTY
(By Becky Henshaw)

AIKEN.—The Aiken High School Faculty honored retiring principal J. O. Willis Tuesday night with a dinner laced with both sentiment and humor that included salutes from fellow educators, former students and citizens of the community.

More than 200 persons gathered at Owens-Corning Clubhouse for the event which marked the completion of 40 years of service in education—and 29 of those years as principal of Aiken High School.

Three of the four superintendents Willis has worked under were on hand for the occasion. They are A. J. Turland, P. E. Beasley and Dr. Beecher Morton. L. K. Hagood sent regrets that he was unable to attend.

Also present were a number of former student council presidents including James Kitchings, Aiken High's first student council president, and Robert M. Cook, the 1948 student officer who told an anecdote about Willis's connection with the birth of the school's Hornet symbol and the first school annual.

Frank Galardi, saluting Willis in behalf of the community told the retiring educator, "you have made an indelible mark on hundreds of young people—this is your real reward."

Galardi, a past president of American Legion Post 25 presented Willis with state and local Legion citations, certificates and a medal in recognition of "outstanding citizenship and service."

Later, in an acceptance speech Willis launched into a humorous account of "the agony and ecstasy of retirement" and then, becoming serious, said:

"I've had the opportunity to work with the finest people you can find anywhere. Anyone who is not a teacher has missed something because to share in the lives of young people is the most rewarding thing that can come to anyone."

Ted B. Willis, director superintendent, saluted Willis on behalf of fellow educators with many comments he had gathered from teachers, administrators, students and other school personnel citing him for "fairness to students and teachers" and for carrying out his duties in a manner "truly professional."

B. Henderson Johnson Jr., chairman of the Aiken Area Advisory Council, announced that the new vocational wing would be named the J. C. Willis Vocational Wing in honor of the retiring educator.

A J. O. Willis Scholarship fund was announced by Margaret Cato, teacher at Aiken High School. Miss Cato said former student council presidents and senior class presidents, now located too far away to attend the dinner had sent contributions which will be used to start the fund.

Miss Cato said contributions to the new scholarship fund may be sent to Aiken High School.

Willis began his teaching career as principal of Pinewood High School in Sumter, S.C. Prior to coming to Aiken in 1947, he had served as principal of Bishopville High School for five years.

A native of McCormick, S.C., he received his AB and MA degrees from the University of South Carolina. While attending USC, he was awarded the Snowden Scholarship Award and was on the Dean's Honor List. He did further graduate work at Duke University.

Willis guided Aiken High School through the transitional years of integration when the school campus was divided and paired with Schofield Campus. For many years Aiken High held a position of state-wide superiority in academic achievement, averaging from eight to 12 National Merit Finalists each year.

Willis and his wife, Jennie Lee, have a son who resides in Boston, Mass., and a daughter who lives in North Augusta. They have two grandsons.

Special entertainment for the program was provided by Jane Duckett, a former Aiken High student and now a teacher, who sang "Thanks for the Memories." Nan Jones played a medley of piano selections.

[From the Augusta (Ga.) Herald, May 19, 1976]

EDUCATORS SALUTE RETIRING PRINCIPAL
(By Becky Henshaw)

AIKEN.—The new vocational wing at Aiken High School will be named for J. O. Willis, retiring principal, it was announced at a retirement dinner in his honor Tuesday night.

Willis who has been principal at Aiken High for 29 of his 40 years spent in the service of education, was saluted by more than 200 fellow educators, former students and community citizens at the event arranged by the Aiken High School faculty.

Margaret Cato, a teacher at Aiken High School announced a J. O. Willis scholarship fund had been started with contributions sent by former student school officers who were not able to attend.

B. Henderson Johnson, chairman of the Aiken Area Advisory Council, said the naming of the vocational wing would be a "living tribute" to Willis who had helped "make Aiken High one of the best secondary schools in the southeast."

Frank Galardi a past president of American Legion Post 26, presented the retiring educator with state and local legion citations certificates and a citizenship medal. He cited Willis for "molding a lot of young people."

The sentimental sendoff by the faculty was punctuated with moments of high humor and Willis delighted those in attendance with anecdotes about "the agony and ecstasy of retirement," including his overhearing one teacher say as she passed him in the hall before the dinner—"My, he certainly looks natural, doesn't he?"

Concerning his long career, Willis said: "I've had the opportunity to work with the finest people you can find anywhere. Anyone who is not a teacher has missed something, because to share in the lives of young people is the most rewarding thing that can come to anyone."

Faculty member Bertha Williams announced that the faculty was presenting Willis and Mrs. Willis with a wrought iron patio set and Ben Talbert, president of the student council said a greenhouse complete with heater would be delivered as a gift from the student body.

Three of the four superintendents Willis has worked under attended the dinner. They were A. J. Rutland, P. E. Beasley and Dr. Beecher Morton. L. K. Hagood sent regrets that he was unable to attend.

Also present were a number of former student council presidents and former students.

[From the Aiken (S.C.) Standard, April 26, 1976]

A WITNESS TO DRASTIC CHANGES

Several student generations in Aiken have come to know the influences on their lives from acquaintance with J. O. Willis, who soon will retire after 40 years as a teacher and school administrator.

Nearly three decades of his life have been devoted to various school assignments in Aiken. After receiving his college degree in 1936, he began his career in education in Sumter County. Next he went to Bishopville High School. He came to Aiken on July 1, 1947, just in time to experience the relative tranquility of small town life before change hit Aiken like an explosion—an explosion of population, and an explosion of new proce-

dures in just about every phase of life. Hardly had the community and the schools adjusted, than new and even more drastic changes, brought about by integration, were to begin.

Mr. Willis has experienced, has been part of, one of the most tumultuous eras of Aiken's history.

Following retirement, he plans to continue living here. We join his numerous friends in wishing him a happy and rewarding life.

BASIN CHIEF LAUDS DAM BILL

Mr. MONDALE. Mr. President, this morning's St. Paul Pioneer Press contained an article by Virginia Rybin concerning my proposal for replacement of outmoded facilities at lock and dam 26. Entitled "Basin Chief Lauds Mondale Dam Bill," the article discusses the reaction of the chairman of the Upper Mississippi River Basin Commission to congressional proposals concerning management of the river system.

The Commission includes representatives of the States as well as all of the Federal agencies that have direct jurisdictional responsibilities affecting the Mississippi River. It helps to coordinate governmental policies and planning for the river basin area.

The importance of the decision concerning lock and dam 26 to the Upper Mississippi River Basin cannot be overestimated. Since the Senate Public Works Committee will soon be holding public hearings on this question I believe it would be useful for my colleagues to review the remarks of the Commissioner.

Mr. President, I ask unanimous consent that the full text of the article from the St. Paul Pioneer Press be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

BASIN CHIEF LAUDS MONDALE DAM BILL

(By Virginia Rybin)

The chairman of the Upper Mississippi River Basin Commission has praised Sen. Walter Mondale's bill authorizing construction of a new lock and dam on the Mississippi River at Alton, Ill.

George Griebow, now declined to make a direct endorsement of the proposal by the Minnesota Democrat over the bill backed by Sen. Gaylord Nelson, D-Wis. The Nelson bill is more palatable to environmentalists.

Griebow, whose federal agency conducted hearings on the proposal to replace Lock and Dam 26 at Alton, commented on the two bills during a press conference at Fort Snelling.

He said the Mondale bill has merit and is specific. Elaborating on his remarks following the press conference, he said it recognizes the permanent need for a navigation channel along the river and allows for funding of environmentally advantageous programs.

The U.S. Army Corps of Engineers and the states along the river, agree that something has to be done to replace the antiquated locks at Alton, Griebow added. The present 38-year-old locks often result in long waits by barge traffic.

The corps proposal to replace the locks has resulted in lawsuits by environmentalists and railroads. While the railroads oppose the aid to their competition in the river traffic industry, the environmentalists view the plan as a step toward a channel deeper than the current nine feet, and in-

creased commercial traffic on the river to the detriment of recreational uses and wildlife habitat.

The Nelson bill would rehabilitate the present locks, rather than build a new one as Mondale proposes. It calls for extensive environmental monitoring before construction.

Griebenow said the Mondale bill deals in specifics with environmental questions while work is being done, and the Nelson bill calls for further studies.

He said both bills prohibit deepening of the channel to 12 feet as feared by environmentalists. Opponents say the Mondale bill is what the Corps and the barge interests want, and they fear it will be the first step toward increased river traffic.

A major purpose of the press conference was to announce the availability of a book containing the proceedings of the commission's hearing at La Crosse, Wis., and St. Paul on the Alton replacement proposal. Copies of the bulletin can be obtained from the commission at Fort Snelling.

A NEW APPROACH TO TAX REFORM

Mr. BROOKE. Mr. President, over the last few years there has been a good deal of talk about "tax reform" and it seems that every year legislation which is characterized as "reform" legislation is proposed either by the administration or Members of Congress.

Of course, any talk about tax reform presumes an underlying conception of the proper distribution of the burden of paying for the cost of Government. Dr. Martin S. Feldstein of Harvard University has written a thoughtful article which provides an interesting theoretical framework on which to build a tax reform program, and I think that his ideas deserve consideration. I ask unanimous consent that Dr. Feldstein's article be printed in the Record following my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. BROOKE. Mr. President, what Dr. Feldstein proposes is a rethinking of the purpose and method of taxation. Obviously, any decision to embark on the course suggested by Feldstein would require considerable discussion and education of the public. However, as the Senate proceeds to the consideration of another tax bill, with the attendant deadline pressures which usually accompany such legislation, it might be worthwhile to pause to reconsider the underlying economic theory of our tax system. I commend Dr. Feldstein's article to my colleagues for their consideration.

EXHIBIT 1

A NEW ROUTE TO REFORM: TAXING CONSUMPTION

(By Martin S. Feldstein)

Despite the continual effort of tax reformers for more than two decades, our income tax law still permits some of those who enjoy the most affluent consumption to pay little or no tax. Through capital gains, tax exempt municipal bond interest and "paper" losses on tax shelter activities, the rich are able to reduce their taxable income and increase their personal consumption. And the inequities of our current tax system will continue until the goal of tax reform is redefined.

A growing number of economists now favor substituting a progressive tax on personal consumption for the current income tax. Al-

though such a change would have little effect on taxes paid by most families, it would force all of those who enjoy a high standard of consumption to pay their fair share of taxes. It would also eliminate many anomalies in the current tax law while encouraging certain forms of saving. Moreover, administering a progressive consumption tax such as the one described below would be easier than operating our current income tax. While the switch to tax consumption would not be without problems, it is time to refocus the energies of tax reform on this new goal.

When the basic structure of our current income tax law was designed more than 60 years ago, it was intended to raise a very limited amount of revenue. The maximum rate of tax was seven percent and was applicable only to very high incomes. With such low rates there was little incentive to rearrange income in order to reduce taxes and little scope for serious inequities. Even during the decade before World War II only about four percent of families paid any income tax at all and the median tax rate for these high income families was less than five percent! Today nearly 500,000 taxpayers pay marginal tax rates of 50 percent or more. These high rates are incentive enough for people to manipulate economic activities in order to substitute untaxed income for taxed income and thus give rise to inequities.

The basic problems with the current tax system arise in the taxation of capital income and in the treatment of capital gains is the most important way in which tax law reduces the obligation of the wealthy. When stocks or other assets are sold, the gain is taxed at half of the usual tax rate or less. Anyone who finances his consumption primarily by selling assets, as many of the rich do, will pay much lower taxes than someone who finances that same standard of living out of ordinary income. The low rate of tax on capital gains is only part of the favorable treatment of capital gains. Because no tax is due on an appreciating stock or other asset until it is sold, the wealthy pay no tax on this form of saving. In contrast, those whose income consists only of wages or salary save out of after-tax dollars (except for limited employer pension contributions) and pay tax on each year's interest. The deferral of the tax on capital gains until the asset is sold substantially raises the net rate of return that asset holders can earn. It has been estimated that deferral reduces the effective tax rate on capital gains to less than 10 percent.

The tax wise investor can do even better by borrowing to finance his consumption while holding appreciating assets with which ultimately to repay the debt. The interest that he pays is a tax deduction that immediately reduces the tax that he must pay on his other income. In contrast, the taxes on his capital gains are due only when the assets are sold. Moreover, no tax is due on any gain if the individual dies before selling the asset. If his estate sells the asset and pays his debt, the individual and his estate completely escape all tax on the consumption that he enjoyed.

An example will show how the powerful subsidy of leveraged investment works in practice. Consider a man with a \$50,000 salary, common stock worth \$500,000 and a bank loan of \$200,000 secured by the stock. The stock will produce dividends of about \$20,000, approximately equal to the interest on the loan; as a result, there is no tax on the dividends. Although the change in share prices varies from year to year, the average experience of the past 25 years suggests a gain of 5 percent or \$25,000 on his \$500,000 of stock. No tax is due on this gain unless the shares are sold. By borrowing an additional \$25,000 from the bank, the individual can consume his gains without any increase in tax.

Real estate investments are another important device for financing consumption without paying tax. In a typical real estate in-

vestment, the accounting depreciation allows the investor to receive his net rental income untaxed and to offset some of the tax liability on his other income. This accounting depreciation is allowed as a tax deduction even if the property is actually increasing in value. When and if the property is sold, the capital gain is taxed at a favorable low rate. And the investor can avoid even this tax by refinancing his mortgage instead of selling his property.

This combination of borrowing, artificial accounting losses and untaxed capital appreciation is the common feature of tax shelters in such diverse activities as oil drilling, cattle feeding and low-income housing. In every case, the investor seeks to reduce his total tax bill and increase his own consumption.

Why have obviously unfair features of our tax system been allowed to persist? Certainly not because tax reformers have failed to make Congress aware of them. Inequities survive in part because it is difficult, if not impossible, to eliminate them within the framework of our current income tax without at the same time creating new and equally serious problems. For example the low rate of tax on capital gains is retained because it provides an incentive to socially productive portfolio investment, because it is at least a crude adjustment for inflation, and because the proceeds of such sales are generally reinvested. The deferred taxation on capital gains until assets are sold is required by the practical difficulty of revaluing all capital assets each year. The abuses that result from borrowing are difficult to stop in our tax system because borrowing does not give rise to income even when it finances consumption. Although piecemeal solutions for some of the current problems could be developed within the existing tax system, doing so would only complicate tax laws even further and might introduce new sources of inequity.

The proper remedy lies in a more general reform of the tax system to base tax liabilities directly on consumption so that the intractable problems of measuring income are effectively avoided. Under a consumption tax there would also be no rationale for special tax rates for capital gains, for the exemption of consumption financed by municipal bond interest, or for any of the myriad of other provisions that currently favor wealthy taxpayers.

The idea that everyone's tax should depend on how much he consumes, regardless of how that consumption is financed, appeals strongly to our sense of fairness. Although this principle has not been fully incorporated into our tax law, it is honored in part by the special treatment of pensions: current income that is contributed to a pension plan by an employer is specifically excluded from taxable income. By exempting pension saving, and what is saved when the value of assets increases, our tax law goes part way toward the goal of taxing only consumption. But the system exempts only part of the savings from wage and salary income and fails to tax the consumption financed by borrowing and capital appreciation.

A progressive consumption tax would be surprisingly easy to implement. To calculate "taxable consumption," the taxpayer would add all of his receipts and subtract his additions to saving and investment. In addition, his business expenses and certain personal deductions that are not regarded as ordinary consumption (like the current deductions for casualty losses and medical expenses) would be subtracted. For households that currently use the standard deduction and the simplified "short form," no change would be required. Wealthy households would however be forced to pay tax on the receipts from borrowing and from the sale of assets if they are used to finance consumption. Only when such funds are re-