

INSIGHTS

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WOODROW WILSON ON THE IMPACT OF LOBBYISTS:

"The government of the United States is a foster child of the special interests. It is not allowed to have a will of its own."

STEVE FORBES VS. FORBES MAGAZINE ON THE FLAT TAX

Steve Forbes' extravagant expounding of the super-virtues of his flat tax nostrum has so shaken the opposing candidates that they are all climbing on the flat tax bandwagon. And most Republican candidates, together with Bill Clinton, have come out for abolition or substantial reduction of the capital gains tax—whose total banishment is a key plank of the Forbes flat tax proposal.

None of the candidates, even the land-rich Steve, have publicly defended the elimination of gains from land speculation, which will come about if the flat tax wins out. The elimination or reduction of capital gains on stock investments is always touted as an essential impetus to industrial revival. However, the lead article in the January 22, 1996 issue of Forbes magazine, of which Steve is president and chief Executive Officer, raises deep suspicions as to the validity of this argument.

FORBES MAGAZINE ARTICLE CONTESTS FORBES PROPOSAL

The Forbes magazine article involves Charlie Munger, described as "the not so silent partner" of Warren Buffett, the president of Berkshire Hathaway, reputed to be the richest man in America, and other profitable corporations. The article notes Munger's and Buffett's lack of regard for Wall Street. It describes Munger's belief that investment management is "a low calling" which mostly involves "just shifting around a perpetual universe of common stocks." ●●●●●●●●●●●●●●●●●●●●

☞ Munger is quoted as saying: "personally, I think that if security trading in America were to go down by 80%, that civilization would work better. And, if I were God, I'd change the tax rules so it would go down by 80%—in fact, by more than 80%."

The article also notes that Munger once proposed a 100% tax on gains taken in less than a year from securities trading. It is not clear as to how the above was allowed to be included in a Forbes magazine article. Forbes editor James Michaels has stated that he submits the magazine to Steve Forbes before it is published.

Insights suggests, in accord with Munger's evaluation, that the security speculation which Steve Forbes desires to exclude from taxation has about the same relation to industry as horse racing has to agriculture.

As to removing the capital tax levy on gains from land speculation, it is unlikely that this would affect Steve very much. The Forbes' properties are not for sale. This includes the Forbes' splendiferous building in lower Manhattan which houses a priceless art collection, the Forbes palace in Tangiers, the chateau in France, or the private island resort in Fiji, estimated by a rival business magazine to be worth \$70,000,000. And it is unlikely that Steve will sell his 500 acre cattle-breeding ranch in New Jersey, reported to be worth almost \$9 million, but which is only assessed at \$160,000 because of that state's tax privileges granted to agricultural land. ●●●●●●●●●●●●●●●●●●●●

☞ Opponents point with scorn at Steve's use of \$25 billion in inherited wealth to push his inevitably losing campaign. But this is not a new phenomenon. In Huffington's 1994 campaign to become California's U.S. Senator, he spent over \$18 million of his inherited Texas oil wealth. Huffington, a value-added tax proponent, almost won that race, based on keeping out Mexicans who were taking jobs away from good Americans. Unfortunately, it was discovered, just prior to election day, that the Huffingtons had employed an illegal immigrant as a household servant for whom no social security taxes were paid, leading to a very narrow loss of the election.

In the 19th century, the U.S. Senate was described as "The Millionaire's Club," since it had so many affluent members. One comment in favor of this situation was that the millionaires could and would not be bought by special interests because they did not need to trade favors for campaign contributions.

But the real problem is that most voters in America pay no attention to politics or what their representatives are doing in Washington. Nor do they understand the nuances of pending legislation. They simply vote for a familiar name. This is a natural consequence of our reliance on the printed word or televised ad. If America was deluged with enough ads contending that Bumble Hotcakes should be purchased because they contained lots of cholesterol, Bumble Hotcakes would sell—like hotcakes. *Continued on page 2* ●●●●●☞