

NTA Forum

Perspectives, Ideas and News from the National Tax Association

Winter, 1991

From the Editor

Most economists, it seems, agree that capital investment in the United States is smaller than it ought to be, maybe far smaller. Most seem also to agree that the immediate cause is that the cost of capital is too high. Somewhat fewer, though probably still a majority, feel that U.S. tax policy contributes significantly to the excessive cost of capital.

But how to change tax policy to stimulate investment? Beyond the consensus that reducing the budget deficit would help a lot, there is much disagreement among tax professionals. The Administration has emphasized reducing the tax on capital gains. Others prefer repeal of the corporation income tax or some form of corporate/personal tax integration. Some favor shifting reliance from income taxes, personal as well as corporate, to some form of consumption tax such as a VAT. Some like the idea of a corporate cash flow tax. And some emphasize saving incentives such as IRA's. All these policy options have been debated in recent NTA conferences.

In this issue Robert Aten, Vice President and Chief Economist for the Manufacturers' Alliance for Productivity and Innovation (MAPI), makes the case for reinstating a large investment tax credit. In light of the present economic slowdown, he argues that an ITC would be especially timely. One advantage is that it could be put in place more quickly than most of the other reform proposals.

For eighty-three years NTA has provided a forum for discussion of important tax policy issues of the day. The Association's membership includes representatives of many divergent tax viewpoints. The *NTA Forum* welcomes comments on Dr. Aten's proposal, as well as submissions of other material that will be of interest and value to a wide range of tax professionals.

An Investment Tax Credit: A Contribution to Efficiency



Robert H. Aten

This paper explains why high costs of capital in the United States have helped generate reduced equipment stocks available to U.S. manufacturing. Government itself has generated problems afflicting manufacturing in the form of budget deficits, regulation of the financial community, and tax policies that hinder equipment investment, productivity growth, and competitiveness.

To ease the burden of government-induced problems, it is proposed partially to compensate manufacturing by adopting a large investment tax credit (ITC). Although adoption of an ITC would generate non-neutralities within the U.S. tax system, larger non-neutralities would be eliminated. Apparently

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Hickman Presidential Address Stirs San Francisco Conference

It is not usual for the Presidential Address to attract much comment at NTA Conferences. This year was an exception, as is indicated in the following excerpt from Ralph Bristol's report in *Tax Notes* of November 26.

In addressing the opening session, Bristol reports,

"NTA president Frederic W. Hickman of Hopkins & Sutter, Chicago, delivered a scolding both to the field of economics and to the association's quarterly journal . . . and expressed concern for the organization. While praising the NTA for its broad approach and its efforts to bring together economists, lawyers, accountants, tax administrators and other tax practitioners, he fears that NTA may be losing

relevance just because of its strengths.

"The former Treasury assistant secretary for tax policy remarked that we live, unfortunately, in an age of specialization. Hickman underscored, however, that what we need are 'big picture' explanations, developing connections between events and people in the real world and drawing broad inferences from experience. What is happening is that people willing and capable of performing these tasks are losing out to the narrow specialists—the 'niche-niks.'

"Economics began as a moral science. Both Adam Smith and Alfred Marshall considered themselves to be moral philosophers, concerned with the ethical aspects of the subjects they

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Please send all correspondence to:
Frederick D. Stocker, Editor
NTA Forum
National Tax Association
5310 East Main Street
Columbus, OH 43213
Phone (614) 864-1221

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paradoxically, efficiency gains would be obtained from decreasing equipment taxation, which would increase differentials among related U.S. tax rates, and by reducing such differentials between the U.S. and key foreign tax systems.

A recent OECD report suggests that in the longer term, tax policy is subject to fashions. The reason is that:

"taxation is one of the most political of the instruments available to governments . . . Over the past ten years, there has been a move from an uncritical acceptance of tax incentives to their uncritical rejection. Perhaps the next stage in this cycle is an awareness that tax incentives, if used selectively, can be an effective instrument . . ." ¹

This paper explores the potential utility of the ITC in the light of the OECD staff comments.

The U.S. Cost of Capital and Its Consequences

The cost of capital or the expected pre-tax rate of return on investments is a key policy-influenced factor that helps determine business investment. The cost of capital is known to business as the "hurdle rate" that investment projects must meet or exceed to be selected. Higher U.S. costs of capital mean reduced private investment, as American manufacturers reject potential projects that are not warranted by expected profitability.

Over the long term, net stocks of capital equipment have grown far less rapidly in manufacturing than in other sectors of the economy (Figure 1.) Net stocks of equipment are a key capital input into U.S. productivity, and reflect the availability of equipment stocks after adjusting both for depreciation and for retirements from service. Part of the more rapid growth in non-manufacturing stocks reflects the natural evolution of an economy becoming more reliant on its service sector. Real gains in the 1980's in equipment stocks in finance, insurance and real estate (FIRE) and wholesale and retail trade (WART) contrast with the flat performance of manufacturing equipment (Figure 2.)

A higher cost of capital in the United States has contributed significantly to the decade-old acceleration of the relative decline of the U.S. net stock of equipment in manufacturing as a share of the GNP. These declines have ominous implications for the continued inter-

national competitiveness of U.S. companies, particularly given the large investments being carried out by foreign competitors abroad.

Recent adverse trends in the magnitudes of equipment capital stocks could have many possible causes. These include the rapid inflation of the late 1970s and early 1980s, the massive rise in the value of the dollar in the early 1980s, and two back-to-back recessions in the early 1980s. Some measurement issues may also be influencing the trends.

Resurgent efforts in manufacturing in the 1980s led to significant productivity increases and substantial management improvements. These productivity increases, real wage rises abroad, and declines in the U.S. exchange rate reduced the relative burden of high U.S. manufacturing wages. However, many tax policy changes have also been relevant. For example, depreciation is less generous now than in the 1970s, and the ITC was eliminated in 1986. The corporate tax rate fell significantly in 1986.

One cannot be sure how all these factors sort themselves out. However, federal tax incentives intended to create additional capital investment in the 1960s-1970s were successful over the longer term. The mix of factors influencing investment in the 1980s is clearly more complex, but there appears to be little reason to assume responsiveness to tax incentives is much different.

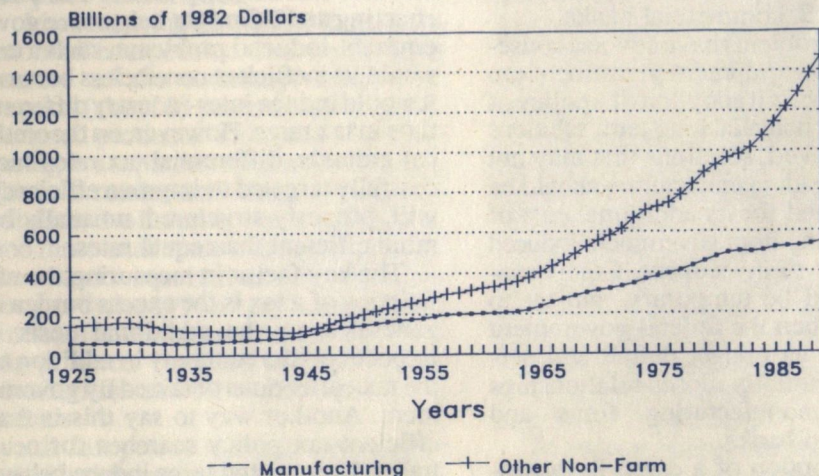
The Three Problems

The main thesis of this paper is that U.S. government inefficiencies directly increase the costs of capital to American manufacturing through (1) continuing massive structural deficits in the federal and state-local budgets when the economy is at or near full employment; (2) regulating the U.S. financial sector, including commercial banks, to require arms' length relationships with business in contrast to the much more intimate relationships permitted abroad; and (3) taxing American business in the United States in ways that have differentially more adverse consequences than arise from taxes imposed abroad.

Budget Deficits

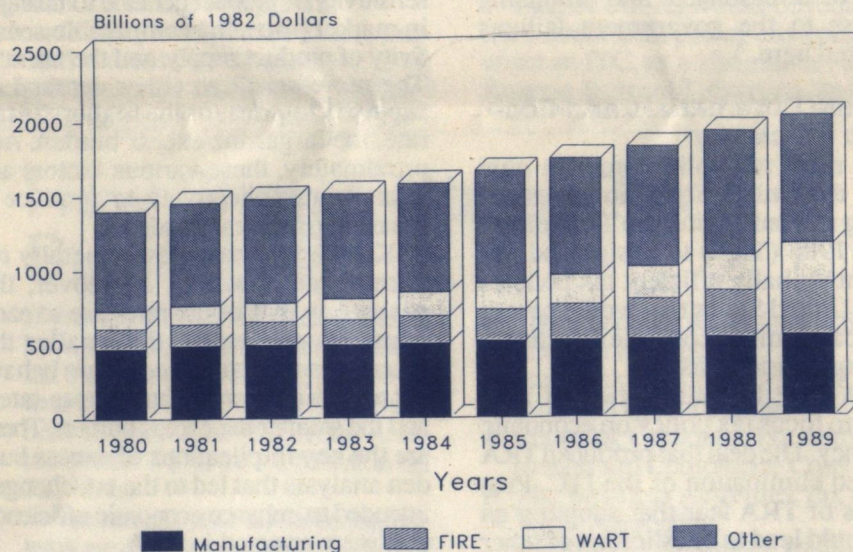
Larger business capital costs are generated by the higher real interest rates caused by the now apparently perpetual inability of the federal government to balance its budget. Recently, state-lo-

FIG. 1 NET EQUIPMENT STOCKS
BY MAJOR INDUSTRY GROUPS, 1925-89



Source: Bureau of Economic Analysis

FIG. 2 NON-FARM NET STOCKS OF EQUIPMENT



Source: Bureau of Economic Analysis

cal governments have also contributed to financial market pressures as their aggregate spending for operating and capital purposes has substantially exceeded their total receipts. To help reduce the cost of capital to business, the U.S. government should increase national saving and eliminate federal government dissaving by eradicating its deficit.

Conventionally, larger federal defi-

cits increase the demand by government for funds in the credit markets. Unless private consumption declines, this directly causes higher real interest rates. Rates also rise indirectly because holders of government bonds issued to finance deficits cause purchasers to feel wealthier and hence to spend more.

The last decade has seen a resurgence of interest in a reformulated Ricardian equivalence proposition (RE) which

challenges conventional views. Challengers believe that larger federal budget deficits do not generate higher real interest rates. Purchasers of bonds issued to finance such deficits do not feel wealthier because they know that a larger current deficit implies higher future taxes to repay the bonds. Bondholders therefore consume less and save more when a deficit is financed with debt so they will be able to pay expected higher future taxes required to repay the bonds. Thus, consumption does not change whether a deficit increase is financed with taxes or with debt. Therefore, real interest rates are not affected by increases in government debt.

As the United States does not pay down its federal debt, RE seems false on its face. Although RE may be partially true, it must be completely true before there would be no deficit-caused effects on real interest rates.

The failure of the federal government to eliminate its structural deficit remains economically indefensible. The FY 1991 budget deal, obtained with such effort, still implies a massive federal deficit through fiscal year 1995. Thus, the federal deficit will continue to increase real interest rates, which will raise the cost of capital and reduce investment. This problem is exacerbated by declining inflows of foreign capital.

Financial Market Structure

One example of problems with financial market structures that adversely affect capital costs arises in commercial banking. Treasury recently announced that it would soon recommend legislation that could eventually have the desirable side effect of permitting closer working relationships between U.S. banks and American manufacturing.

Foreign experience suggests substantial reductions in the cost of capital are potentially available from closer relationships between commercial banks and manufacturing. However, government policymakers are anxious about providing additional flexibility to banks. The federal guarantee of \$100,000 per account in checking accounts and comparable deposits provides a substantial and continuing incentive for risky behavior by commercial banks, partially mitigated by higher capital requirements than were historically available in the troubled savings and loan (S&L) industry. The dilemma is that few really want to elimi-

nate or much modify the deposit guarantee. However, policymakers will be reluctant to take steps that would encourage closer relationships that could be seen as a possible repeat of the S&L crisis in commercial banking.

As a result, policymakers will not soon be willing to encourage commercial banks to provide U.S. manufacturing with the kind of financial support and advice readily available to German and Japanese firms. Instead, the relative interest-rate contributions to the U.S. cost of capital from differing financial structures will remain unacceptably high.

There are other examples of problems of financial market structure that also add to the cost of capital. For example, state "blue sky" securities laws adversely affect the costs of raising equity funds in U.S. markets compared with costs overseas.

Tax Policy Affecting Investment

Current U.S. tax policy adversely affects investment. Examples include U.S. continuation as the only developed nation that utilizes full double taxation of corporate dividends, and the retention and expansion of relatively high U.S. tax rates imposed in the name of equity on sources of funds for investment and on investment returns. These U.S. policies lead to tax-induced behavior that encourages shifting manufacturing jobs outside the United States. These decisions, while efficient for the firms involved, are inefficient for the U.S. economy as a whole.

In a market economy, economic efficiency is not well served by a government industrial policy that targets specific industries or sectors of the economy for subsidy. However, such subsidies may be justified economically if there are government-generated non-neutralities that adversely affect particular industries. Were U.S. manufacturing able to compete on an equal footing, particularly with comparable firms from foreign nations, appropriate U.S. tax policy would be to deny requests for special tax treatment. However, government-generated non-neutralities have become a major source of manufacturing problems, helping to lead to the 1980s declines in equipment stocks as a share of the GNP. In these circumstances, there is a powerful case for intervention to remedy problems government itself has caused.

Two government-induced problems

will not be resolved in the short or medium run--the federal government's structural budget deficits and the continuation of unnecessary arms' length relationships between U.S. manufacturing and U.S. commercial banks.

These problems have adverse consequences for equipment investment too critical to permit adoption of a policy of waiting for potential long-term solutions to be achieved, solutions that may not occur. Instead, manufacturing should be compensated for its additional cost of capital arising from government-induced hindrances to investment. Compensation should be temporary, subject to reversal when the federal government eliminates its budget deficit and permits substantially closer relationships between manufacturing firms and commercial banks.

The adoption of a carefully organized, fiscally balanced package including an ITC to reduce equipment investment costs for American manufacturing by about \$40 billion, financed by offsetting tax increases on consumption, would be a reasonable and promising response to the government failures discussed here.

Tax Rate Differentials and Economic Efficiency

The main tax policy problem now facing the United States involves extending and enhancing the Tax Reform Act of 1986 (TRA) to design and implement globally efficient tax policies for the United States that would permit American firms to compete effectively on a worldwide basis.

TRA was the culmination of long efforts to focus tax policy on economic efficiency. The deal that produced TRA included elimination of the ITC. Proponents of TRA fear that adopting an ITC would lead to questioning of other desirable changes enacted in 1986, such as lower tax rates. Many tax analysts also believe that the U.S. tax system should be structured only to raise revenues to finance government and not to direct resources to specific sectors of the economy through "tax incentives." For them, proposals to adapt the U.S. tax system to compensate for other government "failures" are automatically rejected. These perspectives by themselves should not prevent the enactment of improvements in tax policy.

In TRA, considerations of economic efficiency were raised to a high level of

concern. Because of the perspectives underlying TRA, many tax analysts now believe that economic efficiency requires that every dollar of income be taxed at the same tax rate. They believe that while enacting an ITC might help solve government-induced problems, such a tax would be inefficient nonetheless because it would induce inter-industry differentials in tax rates. However, on theoretical grounds, differential tax rates successfully targeted to improve efficiency will, properly structured, normally be more efficient than equal rates.

The key factor in measuring the efficiency of a tax is the excess burden it generates, or the additional costs it imposes on the economy in addition to the tax collections obtained by government. Another way to say this is that efficient tax policy searches for neutrality. Non-neutral taxes induce behavioral changes as taxpayers seek to minimize taxes. In addition to the pre-tax price and quantity of the taxed item, three main factors affect the excess burden of a tax change. These are the sensitivity of product demand to changes in market price, the comparable sensitivity of product supply, and the tax rate. The more sensitive either demand or supply is to price, or the higher the tax rate, the larger the excess burden. Approximately, these various factors are related multiplicatively to produce a measure of excess burden.

Keeping tax rates low generally reduces excess burden. Moreover, the nearer any pair of tax rates are to each other, all else equal, the smaller the incentives to change economic behavior to avoid taxation from those rates, and the smaller the excess burden. These are the key implications of excess burden analysis that led to the tax changes intended to enhance economic efficiency that were enacted in TRA.

All other factors are not equal. Every taxed product offered by every firm probably has a different sensitivity to market prices. As a result, if minimizing excess burden from taxation, or true neutrality, is a major goal for determining the appropriate level of business taxation, more equal tax rates, while reducing excess burden derived from the tax rate, will not necessarily be successful. In 1927 Frank Ramsey showed that to minimize excess burden or to achieve true neutrality when rates are not exactly equal, the correct tax rate must decline as price sensitivities

rise. Excess burden may also be reduced and true neutrality approached by less than perfect tax rates, so long as they respond approximately to the appropriate price sensitivities.

Manufacturing faces more fierce international competition than many other sectors of the economy. Most U.S. exports (about 85 percent) are of manufactured products. This puts manufacturing in a separate category from many financial market activities, nearly all real estate and wholesale trade businesses, and most retail trade businesses. Equipment stocks expanded most in these other sectors in the 1980s. More competitive international markets for manufacturing products have led to higher price sensitivities there than in most other sectors.

All tax policy is compromise. Because price sensitivities probably are higher in manufacturing, excess burden would be reduced and true neutrality enhanced by lower tax rates for the manufacturing sector. One way to do this would be to adopt an ITC benefiting manufacturing equipment.

In addition, to minimize excess burden and increase true neutrality, U.S. tax policy should take the tax policies

followed by major competitor countries into account. Large government-induced non-neutralities are created in U.S. manufacturing by such international tax differentials. These probably outweigh any non-neutralities within the U.S. between manufacturing and other sectors generated by differences in tax rates. Thus, if other U.S. government policies generating non-neutralities with the Japanese continue, then tax subsidies would need to be correspondingly higher in the United States to permit U.S. manufacturing to remain competitive. For example, if U.S. manufacturers are to be able to compete successfully with Japanese firms without being unduly harmed by government-induced burdens, an ITC adopted here should more than match any Japanese ITC.

To reduce excess burden generated within the U.S. tax system, the ITC adopted should probably be calculated as a percentage of the present value of depreciation permitted on equipment.

Macroeconomic Balance

Intense efforts would be required in the current U.S. policy environment to enact an ITC, as additional revenues to finance it would have to be found.

Expenditure reductions to finance needed tax reductions must also occur, or else necessary declines in government deficits will not be achieved, and a large share of needed reductions in the cost of capital will not occur. Financing an ITC with increased corporate taxes would be counterproductive, as, for example, higher corporate rates or reduction in the corporate interest deduction would also discourage needed investment. Thus, to offset the revenue loss from an ITC and attain additional needed deficit reductions probably also requires adoption of a major tax increase on consumption.

The objection that consumption would be damaged by the adoption of such a tax has little merit. U.S. consumption, consisting of the sum of government and private consumption, is at its highest level ever as a share of net national product. U.S. Consumption has been higher in the last several years than in the early 1980s and much higher than in past decades, largely because of major increases in such factors as debt-financed government transfer payments that aid private consumption. Moreover, consumption will have to decline anyway to shift production to exports, as will happen to finance the additional debt service the United States will have to pay in coming decades to fund the effects of past and continuing trade deficits. However, a choice remains as to whether the necessary reduction in U.S. consumption will occur through that portion financed by government transfers or from the pockets of the U.S. working population. The former approach would imply a policy of reducing increases in government spending.

The working population would be adversely affected by the other possible policies—doing nothing about the federal deficit or increasing taxes. Doing nothing implies a cheaper dollar, increased exports, and, necessarily, concurrent reductions in private consumption, probably not greatly different from the reductions from increased taxes. The bottom line is that consumption will decline as a share of GNP no matter what government does.

The U.S. economy will experience at least one quarter of decline in the fourth quarter of 1990. Adoption of an ITC now would provide American manufacturing with the tax incentives it needs to compete successfully with foreign firms. For those with a Keynes-

How Should States Tax Business?

If you are concerned over issues of how, or even whether, states should tax business, you should plan to attend the NTA Seminar on State Business Taxation to be held in San Antonio March 7-8, at the La Mansion del Rio Hotel.

Present day state business tax systems are a hodge-podge, a product of incremental changes over the decades. Many tax laws have been rendered obsolete by technological and economic change. Revenue pressures, along with uncertainty about just what to do, have delayed reform. Concern over international competitiveness gives new urgency to the problems.

The Seminar "How Should States Tax Business?" will address fundamental issues of business tax policy, as well as current issues affecting many industries. Among the topics are:

- The Economics and Politics of State Taxes on Business
- State Taxation of Corporate Income in a Global Setting
- Reducing Corporate Tax Administration and Compliance Costs
- The Business Activities Tax — A Viable Alternative?
- Taxation of Multistate Financial Institutions
- Telecommunications Taxation in an Era of Deregulation
- How Should States Tax Insurance Companies?
- Environmental Taxes and Fees on Business Activities

The Seminar has been organized by a committee chaired by Prof. Tom Pogue of The University of Iowa.

The detailed program and registration materials will be mailed in early January.

sian bent, an ITC would also add to investment spending at a highly desirable time in the business cycle. The case for an immediate ITC merely to increase investment spending to help bail out the U.S. economy is quite strong, regardless of other considerations.

In an environment in which world markets are expanding, U.S.-based multinational manufacturing firms, with plants both here and abroad, will have to decide where to make additional investments. The weak dollar now suggests making the investments in the United States. However, the growing markets are now abroad, and the need to be close to markets suggests making investments abroad. Without federal government action now to reduce significantly the extra burdens government imposes on U.S. manufacturing firms, businesses are more likely to invest and create more jobs abroad. An opportunity will be lost to create more jobs in the United States.

Conclusion

An ITC targets benefits directly to investment, encourages rapid writeoffs on equipment, limits benefits to productive activities likely to help increase exports, and builds on the capacities of those who already know best how to increase productivity -- American manufacturers. In addition, adoption would take advantage of the cheap dollar to help reduce the trade deficit and increase the momentum of U.S. manufacturing exports.

U.S. policymakers should understand the bottom line -- American manufacturing will be disadvantaged by the continued high cost of capital in the United States. Without partial removal of the undue burdens imposed by government on business, and exacerbated during the 1980s, there will be much less manufacturing growth in the United States by American firms. It is time to adopt an ITC on the grounds that it will efficiently help speed economic recovery, and help stimulate capital investment.

¹ J. Owens, OECD, "Tax Reforms in OECD Countries: Objectives and Achievements," in *Taxation and International Capital Flows* (OECD, June 1990).

Robert H. Aten is Vice President and Chief Economist, Manufacturers' Alliance for Productivity and Innovation

Survey of Research in Progress

January 1 is the deadline for researchers to report to the NTA office on their current ongoing research. The reports will be summarized in the Association's third annual *Research in Progress on Taxation and Public Finance Topics*, to be published in February.

The first two issues of this report have proven its value to both producers and consumers of research:

- Researchers have been able to learn who is working on related topics.
- Those needing current information or expert advice or testimony have been able to identify and contact persons with active research programs in the area.
- Planners of NTA conferences have made use of the survey in designing their programs.

If you have an ongoing research project or interest, please send in your report *immediately* to the NTA office, using either the report form sent last October to all NTA members or the similar one in the back of the June 1990 issue of the *National Tax Journal*.

Last Call: Seminar on "Critical Issues in Sales Taxation"

There is still time to make plans to attend the NTA Seminar on "Critical Issues in Sales Taxation", to be held January 10-11 at the Omni Royal Orleans Hotel in New Orleans.

State Budget and Tax News, in its October 17 issue, comments on this seminar that . . .

"Scheduled panelists are the heavy hitters from all teams on issues like taxing services, goods shipped across state lines, newspapers and magazines and non-profits. Speakers are a who's who of the top lawyers, corporate tax administrators, state tax administrators, and researchers on these issues. The same issues and many of the same players will be appearing at a state near you in the spring."

We could not have said it better ourselves.

Full details and registration information were mailed to all members in early October but if you need another set, call the NTA office.

Twenty-five Years Ago with the NTA

The Economic Role of Federal Deficits

"In the future, the level of taxation will be related not only to the level of expenditure, but to the desired level of deficit or surplus in the budget. In the past, the two elements, tax revenues and expenditures, have been mutually interrelated in such an intricate manner that even the participants in the formulation of the budget would find it hard to say which was the independent and which the dependent variable. A possible deficit has been a constraint on expenditures and a surplus has been generally desired but seldom realized. We now have embarked on an experiment in fiscal policy in which the deficit or surplus is made a third element for separate consideration. Some of us

are fearful that the new policy will lead to excessive deficits and consequent inflationary pressures. But we must recognize that a deficit is now not necessarily regarded as a limiting factor holding expenditures down and taxes up. It is an end in itself which may permit increases in expenditures or reduction in taxes even when a deficit already exists."

Dan Throop Smith, Professor of Finance at the Harvard Graduate School of Business, speaking on "Changes in the Nation's Tax Structure" at the Fifty-Eighth Annual Conference, New Orleans, November 9, 1965. Prof. Smith was formerly Deputy Secretary of the Treasury and a former President of the Tax Institute of America.

Survey of Emerging Research Needs in Federal Taxation and Finance

The NTA Committee on Federal Taxation and Finance, chaired by Pamela J. Pecarich, has just completed a survey of research needs as perceived by key people involved in federal tax policy making. The survey covered the tax writing committees of the Congress, the Congressional Budget Office, Office of Tax Analysis, and the Office of Management and Budget, among other organizations.

The first ever of its kind, the survey is designed to forge a closer link between the tax research being done and the tax policy process. Respondents were asked to think at least a year into the future to identify issues on which policy decisions are likely to be required but where present knowledge and understanding are deficient.

For example, in the *international* area a need was identified for more research on:

- tax-transfer systems in emerging democracies;
- reform of Subpart F of the IRC as related to tax treatment of earnings generated in Eastern Europe, the USSR, China and Third World countries;
- taxation of income from US financial assets held by residents and non-residents;
- effects of capital gains taxes on foreign investors; and
- the impact of various proposals for modifying foreign tax credits, trans-

fer pricing rules, cost allocation rules, and for extension of US capital gains tax to shares held by non-resident aliens.

Other areas in which specific research needs were identified include federal budgetary reform; taxation of capital; effects of disparate tax treatment of investments for retirement; estate and gift taxes; evasion of federal motor fuels taxes; and harmonization of federal and state taxes.

Members may obtain a copy of the survey summary from the NTA office.

Hickman, continued from page 1

studied. While Marshall felt mathematics could be used to illuminate many aspects of economics, the math was never an end in itself, but rather a scaffolding, to be discarded once the edifice was constructed and explained. Economics today has descended from its earlier state.

"As evidence, Hickman reported on a critical survey he had conducted of the 32 articles published in the National Tax Journal over the last 12 months. Only 5 of these articles could be considered 'big picture' efforts, and half of the total were econometric exercises which, as he put it, were not meant to be read but to be solved. Too many of the articles succumbed to the Pooh-

Bah effect, being mere 'corroborative evidence, to lend artistic verisimilitude to an otherwise bald and unconvincing narrative.'

"Only a few of the articles focused on the expenditure aspects of public finance, and no attention was devoted to current problems such as the impact of deficits or the description of appropriate tax bases in the presence of factors that are mobile, both nationally and internationally. There was no discussion as to the validity of the argument that starving revenues will restrain spending, as the Reagan Administration argued for 8 years. (Later in the program, University of California political scientist Aaron Wildavsky characterized this as the Childrens' Allowance theory: 'If they ain't got it, they can't spend it!'.) Hickman concluded with a plea for increased relevance by/ of the Association."

Bristol ends by commenting that "Hickman was unduly harsh on the National Tax Journal. Of all the professional journals devoted to economics in its many branches, one would be hard pressed to find a publication providing greater relevance or containing more articles devoted to practical, real-life policy problems. While it is not entirely free of 'corroborative detail' or mathematical esoterica, the NTJ is practically a 'How To' manual, next to most economics journals."

Hickman's Presidential Address, which was much discussed throughout the three-day conference, will be published in full in the Annual Conference Proceedings.

We invite you to join us in our work

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I wish to become a member of the National Tax Association.

My check for \$_____ is enclosed for the payment of annual dues. I understand that \$40.00 of my dues (\$45.00 for foreign members) covers the subscription cost of the *National Tax Journal*, and that I will receive the *Proceedings of the Annual Conference* and all other publications of the Association at no additional cost.

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The Association is pleased to welcome the following new members who have joined between August 1 and November 30, 1990

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