JeSe to the N:EWS

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CAPITAL GAINS TAX

More than 90 percent of all wrk in the United States is done by machinery. Without this machinery, there would be no automobiles, trucks, railroads, electric power and appliances, telephones, or the many things that give Americans the highest standard of living in the world. It is this machinery, rather than the physical labor of our people, which enables us to produce more than half the world's goods, although we have only six percent of the world's population.

The purchase of most of this productive machinery comes out of the savings of a small fraction of the American people. In order to provide the incentive for people to save and invest in new indus tries, and to expand existing ones, the possibility of profit must exceed the risk of loss. We must have a steady, continuous supply of investment from private savings if we are to build and purchase enough machinery to provide enough high-paying jobs.

The London Economist, the leading British paper in a country with plenty of experience with bad economic policies, stated: "The standard of living of a nation depends ... on the productive capital it possesses ••• much more ••• than on all other .things. put together." Many people feel that one of the factors in the tremendous economic recovery and prosperity that West Germany experienced after World War II was the fact that the capital gains tax was eliminated al together.

Although private savings are essential to the purchase of

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machinery, our government is actually discouraging and confiscating savings through what is called the capital gains tax. This is a tax on the increase in the value of property that you bought with money you saved at some earlier time, and then sold for a larger sum than you paid for it.

It is a tax that penalizes the thrifty people who save their money and invest it in productive enterprises. It is a tax that takes money out of productive uses where it can buy new machinery to create jobs, and puts it instead into the unproductive projects of the government bureaucracy.

If the government insists on imposing this capital gains tax, then it is only fair to determine what are the true capital gains. In the great majority of cases, the capital gains tax is imposed on what is no real gain at all, but is only a price increase due to

· inflation. The longer you have held the piece of property, the more your gain is due to inflation rather than to a real value in- crease.

Over the last 35 years, prices have about tripled. If you bought a piece of real estate or some corporation stock in 1940, and sold it this year for twice or even three times what it cost you, you have had no real gain in value. When the government taxes the fictitious gain based on the dollar price, it is confiscating a part of your property that you already earned and paid income taxes on when you first received that money, and it is penalizing you for saving your money and investing it in productive purposes.

Any capital gains tax should be applied only to the true gain, not to the inflationary rise. This could be done by applying a pro gressively lower rate of tax the longer an asset has been held, be cause that would be a rough measure of the inflation factor in the price.

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