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Federal Tax Reform: The Impossible Dream? by George F. Break; Joseph A. Pechman

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its incidence nor is it incapable of fair, efficient administration.

For years the prevailing view held that the property tax was regressive because it functioned as a kind of excise tax on the consumers of goods and services produced by taxable real property. For example, renters had to bear the property tax levied on their residences and auto buyers indirectly bore the burden of taxes on the factories that produced their cars and the materials from which they were made. The burden of tax was borne in proportion to the consumption of commodities. Following this logic, the tax was regressive because consumption (especially of housing in whose price the property tax is a very large element) is much greater in the budgets of lower income families than in higher income groups.

AAaron, however, argues that this view is erroneous because it only considers the distributional effects of property taxation within a given locale. If the nation as a whole is the frame of reference, the property tax is not an excise on consumers, but a tax on capital. As such, the burdens of the tax are shared by all owners (even those not directly subject to the tax) through adjustments in the rate of return on capital. Since ownership of capital is progressively distributed, the property tax is, on balance, progressive. The importance of this revisionist analysis of property taxation for the debate over tax reform is clearly enormous. As AAaron recognizes, "Advocates of greater progressivity in our system should recognize that the property tax advances rather than obstructs achievement of egalitarian objectives." Indeed, wider understanding and acceptance of AAaron's new view of property taxation could alter the whole tax reform debate and, perhaps, put local government in the forefront of reform rather than in its backwaters.

By the same token, AAaron argues that inept and fragmented administration of the property tax is by no means an inherent failing of the tax itself. The author shows that many remedies are now at hand. He calls for such things as the elimination of very small assessing juris-

dictions, more frequent and accurate revaluation of property, providing more information on assessment methods to taxpayers and a speedier appeals process.

This book is written with the purpose of improving public debate by making the layman aware of recent advances in the economic analysis of property taxation. Although this goal is only partially achieved—it is doubtful that many individuals without economic training could understand the author's discussion of property tax incidence—this is still a nicely written work that conveys its essential points well. *Who Pays the Property Tax?* is an important contribution which should be of major interest to those concerned with tax reform and the future of local government.

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GEORGE F. BREAK and JOSEPH A. PECHMAN. *Federal Tax Reform: The Impossible Dream?* Pp. ix, 142. Washington, D.C.: The Brookings Institution, 1975. \$6.95. Paperbound, \$2.95.

If there is to be any significant, meaningful tax reform in the near future for the United States, this text will undoubtedly serve as the basic guide. Since a national election year is approaching, the probability of a change in the tax laws appears imminent; however, a change need not be a positive reform. This text expertly provides a comprehensive analysis of the economic effect of various proposed changes in tax policy. The authors conclude that tax reform is not an impossible dream; however, it is an elusive target if attempted on a piecemeal basis rather than as a comprehensive program.

The objective of any tax reform is to transfer control of resources from one group in society to another without interfering with other macroeconomic or microeconomic goals of society. The fact that taxation serves dual masters—the stabilization function and the general revenue function—complicates the role of tax policy, and the special pleadings of interest groups often make for a

political struggle rather than a rational policy decision; however, tax reform can be a positive sum game if the merits of reform can be conveyed to the public and the political authority. This book provides the analysis and data from which such a policy can evolve. The authors evaluate tax policy in terms of achieving the principal goals of equity and economic efficiency. Although vertical equity or progressivity cannot be determined by any positive method, the authors offer proposals that would improve the tax incidence based on the accepted canon of ability to pay. They also offer numerous proposals to enhance horizontal equity to place equal burdens on equals. Each reform proposal is also evaluated in terms of the possible distortion effect on private action and public goals—especially on the probable impact on incentives to work or to save.

The basis for tax reform in the United States must solve three basic current weaknesses: (1) the regressivity of payroll taxes, (2) the horizontal inequity in the middle and upper income classes, and (3) a need for diversification of federal revenue sources. The authors evaluate and quantify the costs and benefits of different options for two-earner incomes, municipal bond interest, investment tax credit, depreciation rates, capital gains rates, consumption taxes, inheritance and estate taxes, minimum taxes, and most every other significant exemption or deduction. These various reform measures are then classified into four separate packages or reform strategies. The change in the effective rates for various income classes and the change in tax revenue are then estimated from the data on the 1972 tax file of the Brookings Institution. Each proposal is evaluated in terms of the consequences on the economic goals of society as well as the impact on equity and efficiency goals of tax policy. These estimates of the incidence of the existing tax structure and "tax expenditures" provide a data base to make more objective and rational decisions concerning tax reform.

The summary chapter provides the specification and estimation of the four packages of reform proposals that

range from modest to ambitious reform that would result in a more progressive, equitable, and diverse system of taxation than the existing tax system. This book is the latest in a series of studies by the Brookings Institution that provide a strong empirical and theoretical justification for a more optimal tax policy. This is a balanced, readable book for both the professional economist and hopefully for all legislators; a most valuable contribution to the area of public finance and public policy.

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MARY O. FURNER. *Advocacy and Objectivity: A Crisis in the Professionalization of American Social Science, 1865-1905*. Pp. xv, 357. Lexington: The University Press of Kentucky, 1975. \$17.50.

Professor Furner's subject is more specific than her title suggests. She traces the professional activities of a group of scholars who pioneered the development of economics as an academic discipline during the general transformation of American universities in the late nineteenth century. In 1865 economics or political economy was taught in an elementary fashion, from a rigidly laissez-faire perspective, as part of moral philosophy. Students of economics joined with doctors, lawyers, humanitarians and politicians in the recently established American Social Science Association, which worked to provide a broad scientific basis for social reform. By the eighteen-eighties, with the formation of the American Economic Association, the older Social Science Association declined as an important forum for economists. Wider opportunities for post-graduate training, especially in Germany, had provided Americans with skills which were increasingly valuable in the universities and bureaucracy of rapidly industrializing society. The interests and ambitions of economists both widened and narrowed. The majority became less rigidly committed to laissez-faire and