

“A Progress Report”  
by Milton Friedman  
*Newsweek*, 10 April 1978, p. 80  
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One down, 49 to go.

That is the present state of the grass-roots movement that Ronald Reagan started in California five years ago when he sponsored Proposition 1—a constitutional amendment to limit spending by the state government to a specified, and slowly declining, fraction of the personal income of the residents of California.

That amendment was narrowly defeated, as were similar amendments in two other states in recent years.

However, there is no reason for proponents of tax limitation to despair. Five years is a short time to effect a basic change in our governmental structure. The defeats are less impressive than the growing strength of taxpayer resentment at zooming governmental budgets.

The first victory came in Tennessee on March 7, 1978, when a 2-to-1 majority approved an amendment to limit the “rate of growth” of state spending to the “estimated rate of growth of the state’s economy.”

Similar amendments will be on the ballot in a number of other states this fall, and the prospects look good for their adoption.

At the moment, the hottest fight again rages in California. Proposition 13, the Jarvis-Gann amendment, which will be voted on in June, has thrown politicians and state and local government employees into a literal state of panic. The amendment would limit property taxes to 1 per cent of assessed valuation. It would restrict increases in assessed valuation to a maximum of 2 per cent per year except when property changes hands. In addition, it would require a two-thirds vote to raise other taxes. It is estimated that the amendment would cut property taxes more than in half—or by some \$7 billion.

After dawdling for two years, the state legislature, under the gun of Jarvis-Gann, finally passed a property-tax-relief bill. It is much smaller (\$1.5 billion vs. \$7 billion), requires passage of an amendment permitting lower tax rates on owned homes than on other property and, being a legislative act, can be readily undone by subsequent legislation.

In a reaction that has become only too familiar, the big-government coalition has been threatening dire consequences if Jarvis-Gann passes: police and fire departments “crippled,” bond issues in “default,” “bankrupt schools.” The opposition is preparing to launch a major media blitz to be financed in large part by big business, which apparently has let fear of Sacramento trigger its unerring instinct for self-destruction.

Jarvis-Gann has many defects. It is loosely drawn. It cuts only the property tax, which is by no means the worst tax. It does nothing to halt the unlegislated rise in taxes produced by inflation. Proposition 1 was a far better measure, and a revised version will be needed even if Jarvis-Gann is passed. Yet I strongly support Jarvis-Gann. It does cut taxes. It does raise obstacles to further increases in government spending. And it will not have the dire consequences its opponents threaten. The state government has a surplus of some \$3 billion to offset the \$7 billion revenue reduction. The remaining \$4 billion is roughly 10 per cent of the state and local spending now projected for the next fiscal year. Is there a taxpayer in California (even if he is a government employee) who can maintain with a straight face that there is not 10 per cent fat that can be cut from government spending without reducing essential services? Of course, the reallocation of revenues to finance the most essential services will take some doing—but what are elected representatives for?

A letter to the editor of *The San Francisco Chronicle* by Norman I. Arnold stated eloquently the view of many citizens of California:

“... We are saying that we know it [Proposition 13] will severely disrupt state and city governments. We are also saying that we want it to severely disrupt state and city governments. We are not anarchists, we are not radicals and we do not think we are irresponsible. We are simply full sick and tired of having our pockets picked at every level of government ...

“We want only the most necessary government ‘services.’ We want an end to the countless layers of useless bureaucracies. We refuse to pay any longer for the parasites who are feathering their own nests directly out of our pockets.”

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Compiled by Robert Leeson and Charles Palm as part of their “Collected Works of Milton Friedman” project.

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10/26/12