

BUSINESS

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Morton Marcus
ON
BUSINESS

Which is the fairest tax of all?

With some hesitation I take you inside the men's restroom at the Statehouse. There I found a new member of the Indiana General Assembly asking, "Mirror, mirror on the wall, which is the fairest tax of all?"

The mirror responded, "The sales tax is the fairest of them all." Startled, both the legislator and I looked around only to hear another mirror say, "No, the income tax is fairest of them all." Then the third mirror growled, "At least with the property tax you know who bears the burden of the tax."

Quickly the representative and I left for a nearby tavern.

"I never expected that kind of response," he said. "I guess the old-timers are right: the walls in the Statehouse do have ears."

"It is a complex matter," I said, "because we have no clear idea of what we mean by 'fairness.' Some people will tell you that a 'good' tax hits rich people harder than poor people; they like the progressive income tax.

"Others say we need to use taxes to discourage certain types of behavior; these folks prefer taxes on alcohol and tobacco. They also see some immoral luxury in dining out and support higher taxes on restaurant meals.

"As you know," I continued, "there are those who want us to drive less and call for an increase in the gasoline tax, higher vehicle licensing fees, and the imposition of tolls on our roads. No doubt there are Hoosiers who want snack taxes to fight obesity."

"I have noticed many bills being introduced this year to exempt certain people and activities from taxes. But I don't see many lawmakers proposing new or increased taxes," he said.

"And you won't," I declared. "No elected person wants to have his or her name attached to a new or increased tax. But no lawmaker should be allowed to introduce a tax reduction without indicating how the resultant shortfall will be made up."

"But what was this remark of the last mirror about knowing who pays the taxes?" he asked.

"That mirror," I replied, "must have been moved from a restroom for economists or lobbyists, people who speculate about the 'incidence or burden' of a tax. Many folks think a tax is paid by the person who hands out the money for it or writes the check.

"Put a tax on haircuts, permanents and nail treatments, and you'll see fewer people looking 'simply gorgeous.' Part of the tax is shifted back onto the shop owners and their employees and part is shifted forward to the customers as higher prices. The problem is that nobody knows how much of a tax is shifted either way. Nor is it known how that shifting pattern may change over time.

"Most economists believe that the property tax is shifted entirely to the property owner because the tax liability is capitalized instantly into the value of the property. The idea here is that once you know the taxes to be paid on a piece of property, the offers to buy that property will reflect the future stream of tax payments. Others will tell you this is true only in limited circumstances, and property taxes also can be shifted forward to renters."

"I don't want to hear any more," the legislator said.

"Of course not," I agreed. "You did not come to serve in the legislature to be bothered by the unknown. You came here to get something done, to straighten things out, and to serve the interests (no matter how narrow) of your vocal and generous constituents. You'll vote for changes in our state's taxes blindly following the demands of your caucus.

"What actually happens as a result of your actions is for the next legislature to worry about."

My new friend departed without a word. I think he was offended. He left his drink on the table and the bill for me.

Morton Marcus is an economist, formerly with the Indiana University Kelley School of Business. Send comments to letters@thejournalnet.com.

Turning sales around

Detroit auto show used to showcase newest vehicles for 2008



DaimlerChrysler is showcasing the "Swivel n' Go," seating system at the North American International Auto Show in Detroit. It has second-row seats that swivel 180 degrees to face the third row, and a table can be installed.

By JULIE M. MCKINNON
TOLEDO (OHIO) BLADE

For all the glitz and glamour on Cobo Center's floor this time of year, the real show for Detroit's struggling automakers is grounded on some bread-and-butter vehicles.

Sales for the redesigned 2008 Chevrolet Malibu midsize sedan will be one of General Motors Corp.'s biggest tests to turn its business around. The Malibu will be unveiled this week during media previews for Detroit's North American International Auto Show.

DaimlerChrysler AG will unwrap the fifth generation of its minivans, the 2008 Dodge Grand Caravan and Chrysler Town & Country, at the annual Cobo show. Chrysler strives to continue dominating the segment it created nearly a quarter-century ago.

And Ford Motor Co. will show off a retooled 2008 Ford Focus compact car, hoping to answer demands for improved styling on its products.

Such products, and more, are needed as Asian competitors race to snare more control of the U.S. market.

WHAT WILL HONDA MAKE IN GREENSBURG?

The Honda Motor Co. plant in Greensburg likely will produce CR-V sport utility vehicles and Civic small cars.

In an interview Sunday with Bloomberg News, Koichi Kondo, Honda's North American chief executive officer, said those two models, not the popular Fit subcompact, are

the likeliest products when the factory opens next year.

In the interview at the North American International Auto Show in Detroit, Kondo said, "In our fiscal plan, we don't have any consideration to produce Fit in North America."

At issue are attractive designs, quality and reliability, and pricing. The Detroit auto show, a premier industry event provides a high-profile spotlight for the key new vehicles of each carmaker. Uncertain is whether cars and trucks will capture public interest.

The show opens to the public on Saturday and runs through Jan. 21.

At stake are the futures of the domestic automakers as well as jobs for members of the United Auto Workers at U.S. plants.

Last year, for the first time, Toyota Motor Corp. bypassed Chrysler as the country's third-largest auto seller. The Japanese company is on track to overtake Ford.

"The market is just a real battle, and

that is not going to change," Lindland said. GM's share fell to 24.6 percent last year, Ford's to 17.5 percent, and Chrysler's to 12.95 percent, according to Global Insight. That's 55 percent overall, down from 70 percent 20 years ago.

All three are trying to attract younger buyers to their products and away from Asian counterparts, Jantzi said. The new Malibu, for example, will be sportier and have a 6-inch-longer wheelbase, she said.

Chrysler has 35 new or improved features on its minivans, including the ability to swivel second-row seats 180 degrees to face the third row. A removable table can be installed between the two rows.

Automakers struggle to change public bias for foreign cars

By WILL LESTER
THE ASSOCIATED PRESS

WASHINGTON

Americans have a bias against cars made by U.S. automakers, but an AP-AOL Autos poll found flickers of loyalty that could offer hope for an industry struggling to survive.

The problem for Detroit is changing perceptions that often don't match reality.

Those questioned in the survey said they have more faith in Japanese-made cars than in vehicles produced by Detroit's Big Three. But General Motors Corp., Ford Motor Co. and the Chrysler Group are

going back to the future in their uphill effort to again inspire consumer loyalty and regain market share.

The industry is returning to the types of autos that gave it a sense of "swagger and attitude in the 1960s," said John Wolkonowicz, an auto industry analyst. Many of those cars will be on display in Detroit during the North American International Auto Show.

In the poll, 44 percent said Japan makes the best autos, 29 percent said the United States and 15 percent said Germany. Asked what car manufacturer makes the best autos, 25 percent said Toyota, 21 percent said General Motors and 17 percent said Honda. Several poll findings, though could offer

encouragement for U.S. automakers.

- Only 17 percent of current or potential car owners in the poll say they prefer to buy foreign cars. Also, 39 percent said they prefer to buy American cars and 44 percent said it makes no difference.

- Support for buying American cars increases with age, but six in 10 of those 30 or younger said they were open to buying foreign cars or American cars. That suggests they may be receptive to efforts of American automakers to win them over.

- Eighty-five percent of foreign car owners said they were very satisfied with their cars, while eight in 10 owners of American cars were very satisfied.

Simon gift-card lawsuit lands in Georgia court

By DORIE TURNER
THE ASSOCIATED PRESS

ATLANTA

The state's highest court Monday heard a second round of arguments in a case claiming that a popular mall gift card cheats customers.

The Georgia Supreme Court heard arguments in the same case back in October, but in an unusual move, and without giving a reason, the justices asked attorneys in the high-profile case to return to rehash their arguments for a second time.

On one side, former Gov. Roy

Barnes asked the court again to stop mall owner Indianapolis-based Simon Property Group from imposing fees and expiration dates that he says are illegal and a scam.

The value of an unused gift card after the expiration date should be considered unclaimed property and turned over to the state so that its owners can reclaim it, Barnes told the justices.

Lawyers representing Simon, which owns several malls in the metro Atlanta area, argued that the terms and expiration date are clearly stated on the back of the

cards. They said customers who buy them agree to the contract.

Barnes is representing two Atlanta area shoppers. One is Andrea Nay-Richardson, who bought \$400 in Simon gift certificates at Atlanta's Lenox Square Mall in May 2001 and wound up keeping them for herself. Upon trying to use one in 2002, she was told it had expired and was worthless, according to the lawsuit.

Simon also owns several malls in Indiana including Greenwood Park, Washington Square, Castleton Square malls and Edinburgh Premium Outlets.

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