

From
Solomon's Yoke
to the
Income Tax

By *FRANK CHODOROV*

*"But what can you expect when
the State takes the place of God?"*

—F. C.

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WHEN THE INQUISITORIAL METHODS of the Internal Revenue Bureau become particularly irritating, you might look to the Bible for a bit of comfort. In the Old Testament—I Kings, Chapter 12—you will learn something about tax-collecting that will reconcile you to the worst Washington may put upon you.

It is told that when Rehoboam, son of Solomon, was being installed as the new king of Israel, the assembled proletarians begged that they be relieved of the "yoke" his father had suffered them to bear. Now the "yoke" which all peoples of all times have complained about is the cost of maintaining the political establishment, a cost which we sophisticates have given the high-sounding name of taxation. In the direct days of old it was called a "yoke"; and since there was little commerce on which to lay levies (indirect taxation), we must assume that the "yoke" of Solomon was the appropriation of part of a man's produce or income, something like that provided for by our Sixteenth Amendment. Rehoboam, after shilly-shallying for three days, answered the plea of the people thus: "Whereas my father did lade you with a heavy yoke, I will add to your yoke: my father hath chastised you with whips, but I will chastise you with scorpions."

So, when the agent of the I. R. B. becomes nasty, if not positively insulting, because you failed to include in your

income report the gratuities which, as a waiter or beautician, you depend upon for your livelihood, it would be good to remember that his forebear might have chastised you with scorpions for your delinquency. It is easier to suffer indignities than to do as a considerable segment of Israel did: they met Rehoboam's chief tax-collector, Hadoram, with such a hail of stones "that he died." These people were not letting their property go without a struggle. They had a sense of self-respect.

The political business, then, of appropriating the production of the citizenry did not begin in 1913 A.D., nor even in 1861, when Lincoln resorted to it, for the first time in this country, as a war measure. Antiquarians find mention of it in the annals of Egypt, as far back as 1580 B.C. In those days, it appears, income taxes were levied by the Grand Vizier on—believe it or not—public officials only; drawing upon our knowledge of politics, we must infer that the officials, who could not possibly have paid the taxes out of their own production, were tax-gatherers in the first instance, deriving their living from what they did not turn over to the Grand Vizier, which is just the opposite of modern procedure. Gibbon makes mention of the use of racks and scourges to induce truthful income reports in ancient Rome, a practice which lasted until the fourth century of the modern era. So, with all these precedents, with the records of Biblical tithes before them, to say nothing of the Roman *estimo*, the French *dixieme*, the English tenth, the wonder is that the American government waited until it was in business seventy-two years before it instituted the first income tax measure. What kept the politicians continent for so long a time?

THE INCOME TAX came in for consideration at the Constitutional Convention. One would assume that Alexander Hamilton, the genius of centralization, would be for it because of the power this form of taxation vests in the political institution. He was preeminently the engineer of the new State. While Madison and Jay concerned themselves with political theory, with the niceties of logic which serve as moral background for the State, he applied himself

to the problem of making it work. He emphasized the fact that the functioning power of the State would be in proportion to the amount of wealth the citizens could be forced to pour into its machinery. He made no bones about it and called upon the usual Hobbesian "law and order" arguments in support of unrestrained taxing power. He opposed vigorously the efforts of the decentralizers, the states' rights advocates, to write into the proposed Constitution a limitation on the federal government's power to levy internal taxes. Why, then, was he willing to give up on the taxation of incomes?

The two kinds of levies which are clearly direct, in that they are collected from the payer directly and not through the medium of merchandise prices, are income and land taxes. Hamilton says little in the *Federalist* on income taxes, confining himself to the observation that in the young country this source of revenue promised hardly enough to meet expenses, and that even in England, with a considerable number of large incomes, it yielded little on account of the difficulty of collecting it. With respect to land taxes, he would have been confronted with opposition on two fronts, had he advocated them. In the first place, the strength for ratification came mainly from the large landholders, who were naturally opposed to taxation of that kind. On the other hand, opposition to ratification was strong among the farmers, whose deep-rooted fear of a tax on their small holdings has always predisposed them against centralized authority; if such taxes could be imposed only by local authorities, over whom they felt they could exercise control, their antipathy toward the proposed federal government might be mitigated. At any rate, as Hamilton said, in an agricultural economy land values are low and a tax on them would profit the State but little. The astute politician passed over the land tax also.

The proponents of the new Constitution generally supported the fiscal policies of Hamilton, since these were in line with the aristocratic form of government they favored. A tax on incomes, particularly a graduated one, is an immediate threat to the wealthy; as will be shown later, its ultimate effect is to lower the wage-level of the workers, but the first to feel the pinch are those with larger incomes. Since the

delegates were mainly of this class, or were lawyers tied in with them, it was to be expected that an income tax would receive short shrift at this convention. Furthermore, most of the delegates, as Charles A. Beard has shown, were possessed of a considerable amount of Continental paper, and it was not likely that they would favor the taxing away of the profits which they hoped to realize from the expected funding. Nor were they by conviction inclined toward a policy of leveling, toward anything suggesting egalitarianism, which is insinuated in income taxation. From every point of view, they were, like Hamilton, strong for consumption taxes. Therefore, Article I, section 5 of the Constitution reads:

“Representatives and *direct taxes* shall be apportioned among the several states which may be included within the Union *according to their respective numbers* No capitation or other direct tax shall be laid unless in proportion to the census”

Despite the long legalistic debate over the meaning of this Article at the time the Sixteenth Amendment was incubating, the intent of the delegates who framed or favored it, particularly when one takes into consideration their general political philosophy, is quite clear. It definitely expressed their fear of property confiscation by majority rule. Should any Congress fall into the hands of “democrats”—a name which in those days had the connotation currently contained in the name “bolsheviks”—this provision would make it incumbent on them to tax according to population, not according to incomes. The majority could not tax the minority without taxing themselves, and the populous commercial states of the north could not discriminate against the sparsely settled and feudalistic south. That is, the rich could not be singled out for spoliation.

It was this obvious intent of the Founders which plagued the advocates of the income tax; for years they tried to get around it by statute, but in the end they had to call on a change in the Constitution. It was only thus that the “democrats” could undo the tenet which the Fathers thought they had copper-riveted into our fiscal policy. The opening wedge

came by way of war; both the Union and the Confederacy found that taxes on consumption are not enough to pay the costs of a destructive conflict. The 1861 modest federal levy on incomes was kept in force, though altered several times, until the opposition corralled enough strength in 1872 to have it dropped. In 1894, during the "Cleveland depression," another income tax law was enacted; this created quite a stir, especially in the courts, and in the following year it was declared unconstitutional. A tax on the incomes of corporations was imposed in 1898, again as a war measure, and the Supreme Court ruled this a purely excise tax and therefore constitutional.

The "democrats" were getting on. The depressions of 1873 and 1893 had stirred up a lot of discontent, and with the discontent came reform movements, polemics, a third party, soap-box panaceas and much mud-slinging. The post-Civil War period was characterized by the growth of both corporations and individual fortunes; this provided the "friend of the people" with a windmill on which to break a lance and attain heroship. He took to "trust busting" and "soak the rich" taxes. It was not shown how either scheme would prosper the poor, nor was it necessary, for the mob wanted a culprit, not a syllogism. So, in 1909, a new tax on corporation incomes was attached to the Payne-Aldrich tariff act. President Taft, who knew his law, was doubtful of its constitutionality and urged that the whole matter of income taxes be settled once and for all by constitutional amendment. It was said that he did not want to weaken the prestige of the Supreme Court by a possible reversal; it is also said that the opposition to the proposed amendment favored the move because they thought they could prevent ratification in the states and thus kill income taxation for good. However, in 1913 the Sixteenth Amendment became basic law in the United States. It reads:

"The Congress shall have the power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration."

A THIRD OF A CENTURY has passed since this major change in our fiscal policy was inaugurated. Comparison of the effect on our social and political structure with the arguments pro and con during the long years of debate shows that neither the fears of its opponents nor the hopes of its proponents have been realized; that is because, as we see now, the basic principle at issue was missed by both sides. The controversy was constantly put on the basis of rich against the poor, while, as things turned out, it was in reality a struggle of State against Society. Certainly the rich have suffered from the income tax; but so have the poor, and in proportion to their incomes, more so.

In the fiscal year 1894 the customs receipts came (in round figures) to \$132,000,000; the total federal receipts amounted to some \$300,000,000. That is, of the total federal income, customs receipts accounted for forty-four percent. In the fiscal year 1947 the customs receipts came to \$494,000,000, while total receipts ran up to nearly forty-five billions. Thus, while customs receipts have nearly quadrupled (which is due to the increase in population and the devaluation of money, not to a relative increase in imports), the yield from this source dropped in importance from forty-four to a little over one percent of federal revenue. The latter fact is of significance and should be considered in relation to our fiscal policy. However, it is interesting to note in passing, that tariffs were not dropped, as the free traders anticipated, for the simple reason that the State is not inclined to trade one source of power for another; it grabs both.

Duties are paid only on goods which come into the country; that which is kept out yields nothing to the treasury. Hence, if income taxes were not available, the State would have been compelled by its fiscal needs to encourage imports. Tariffs would have been kept below the point of exclusion. The current protective policy would have been impossible, and Congress would have been forced to go in for a "tariffs for revenue only" policy. Thus, the expectation of the advocates of the income tax, that it would make for lower tariffs and a lower price level, was a false one. On the contrary, the relative unimportance to the treasury of customs receipts

was the fillip needed by protectionism. Not long after the birth of the Sixteenth Amendment the tariff walls started reaching for the sky. Now we have quotas, too, so that we may have less and pay more. Furthermore, a treasury fattened by income taxation makes possible the subsidization of domestic producers, particularly farmers, and the price level is correspondingly raised. As for the lack of a foreign market for our goods, due to our tariff policy, that is overcome by the sending of dollars abroad—we have so many dollars, thanks to the income tax—so that foreigners can buy our goods with our own money; that, of course, gives us jobs, so that out of our increased wages we can pay more income taxes.

In brief, the current idiocy of creating scarcities and higher prices was induced and made possible by income taxation, and the "soak the rich" enthusiasm has reacted sorely on the poor.

THEN THERE WAS the pollyannish hope that taxing "bloated" fortunes would make for a diffusion of wealth. The best that the current populism could offer on this account was public charity during "hard times," although it is doubtful that the most dogmatic of that cult envisioned anything like the dole-system inaugurated during the 1930s. The general impression was that if the government got hold of the money, the public (meaning the poor) would somehow get at it. That the political structure would absorb the greatest portion of what it appropriated probably never occurred to the energumens, and nobody seemed aware of the possibility that this structure might even dip its hands into the pay envelopes of the poor. The phrase in the Sixteenth Amendment "from whatever source derived" might have suggested a payroll withholding tax, as well as a social security tax; but it didn't. Hatred and envy have a logic of their own.

The income tax, like all taxes, bears most heavily on the lowest incomes, directly and indirectly. Whatever is taken from the wage earner must depress his standard of living. Perhaps it deprives him of only his marginal satisfactions,

like an occasional cigar or a pair of Sunday shoes. The relative importance of this to him is far greater than the curtailment of luxuries which a heavier tax on large incomes might make necessary. And since there are many more poor than rich, the aggregate of these deprivations creates a considerable dent in the economy of the nation.

INDIRECTLY, however, the poor suffer to an even greater though indeterminate extent. That is because the income tax is in fact, though not in name, a tax on capital. We see this when we reflect that capital consists of savings invested in production. Capital is a machine, a railroad, a stock of goods, or even a desk, some law books and an education. Now, before a man can put aside any of his resources for such things, before he can make an investment in further production, he must have a livelihood. Capital is savings, what is left over after one has taken care of needs and wants. That is why we include in a capital inventory those accumulations which can be put into capital, but which are not in themselves productive instruments: like money and bonds. The bookkeeper makes the distinction between "fixed" and "liquid" capital, but in essence both are savings which are, or can be, put to production. Even the worker's bank deposits are potential capital, or the insurance company's excess of premiums over expenses, for such savings are thus made available to the enterpriser for productive use.

But, you cannot save what you do not have. You cannot put to work that part of your income which the State takes from you. Hence, a tax on incomes must reduce the aggregate of savings which constitute the capital structure of the country. It is just as much a tax on capital as would be the confiscation of a machine or a length of railroad track.

How can the condition of the worker, of the man who has nothing to sell but his labor power, be improved by the political absorption of savings which might have been put into machinery, ships, railroads or other means of effecting abundance? Do fewer factories provide more jobs? Does less output increase wages? Or lower prices? But, when the income tax was being advocated, envy and bitterness put a blackout on all reason, and politicians took advantage of the

general opinion that the rich are rich because the poor are poor, and a tax on incomes would somehow do away with that inequity. It did not. Since 1913 the country has not been lacking in recessions and depressions, and in the 1930s its most serious case of unemployment was accompanied by the most unprecedented levies on incomes, reaching into the lowest earnings. This is not to say that there is a cause and effect relationship between widespread poverty and income taxation; yet the advocates of the fiscal reform saw in it a cure for the social malady.

THE ABILITY TO PAY argument also came up. This tax formula is always advocated by men with the loftiest pretensions to character, and yet it is basically immoral. Implied in it is the idea of an aristocracy of the politically favored. Those who have the most are the prime beneficiaries of government and ought to pay on the line for what they get. This may or may not be so; but if it is, then government is an instrument of exploitation of the many for the few and should be accorded the respect one gives to a robber or his accomplice. If the affluent are so because of special privileges granted by the government, then their ability to pay for the services rendered should be taxed one hundred percent. On the other hand, if their accumulations are due to industry and frugality, then they have in that rendered services to their fellow men, and their debt to society has been liquidated. But the ability-to-pay formula makes no distinction between fortunes acquired through production and fortunes acquired through privilege; the monopolist is lumped with the competitive merchant and manufacturer, according to the amounts they have. If a moral distinction were made, the government would be under the necessity of explaining why it grants privileges in the first place. Lacking that distinction, ability-to-pay is ethically on a par with the highwayman's take-where-the-taking-is-good.

OPPPOSITION to the income tax—leaving out the legal question, which was decided by the amendment—stressed these points: it is class legislation and therefore contrary

to the spirit of democracy; it is an invasion of property rights and therefore destructive of the American concept of liberty; it is inquisitorial in operation and therefore must encourage immoral practices; it is unnecessary because import and excise taxes can well take care of the legitimate needs of government; it would destroy the independence of the states because the taxing of their bonds would weaken their credit; it is socialistic.

From the long point of view this last count is the most important. The specter of socialism pervaded the debate. Yet, in reading the speeches and articles of the opposition, one is struck by the prevailing naivete as to the nature of socialism. At that time this ideology was identified with the never-never land of Bellamy's *Looking Backward*, with the promise of plenty for all and a milieu of general saintliness. To attain this heaven all we have to do is to abolish and confiscate property. In the popular mind the confiscation of fortunes spelled better working conditions, supplemented with political charity. To those with property the immorality of confiscation loomed large, although one feels that this was a rationalization of the personal inconvenience they would be called upon to suffer. That socialism means a concentration of political power, a new form of absolutism, does not seem to have been recognized at that time. This is understandable. It was many years before socialism showed its hand in practice, and only a few thinkers could visualize the current Russia or the late Italy or Germany.

The legal and political talent arrayed against the income tax was steeped in the Hamiltonian tradition of government by an aristocracy of talents and wealth. They and their clients had done well under the political control they had exercised for a century, and they could put up a strong case for the social beneficence of "captains of industry." Had not the country grown in size, strength and importance under their regime? Had it not grown prosperous? They were for more of that prosperity. What they feared from the income tax was a shift in the incidence of power from themselves to the "mob." They did not fear the State. They did not recognize in the proposed fiscal measure the fertilizing agent of a new dominant class, the political, operating in its own right

and for its own advantage. The mutation of the "public servant" into a master was inconceivable to a people with an abiding faith in "checks and balances." Democratic fetishes blinded them to the reality of socialism.

KARL MARX developed an elaborate and intricate theory to prove that socialism could come only by way of violent revolution. In this, as in his other theories, events have proved him a false prophet. We see now that the transition from private capitalism to State capitalism—which is the reality of socialism—is more easily and more certainly effected by the instrument of the income tax. Socialistic theorists of the early part of this century hit upon this fact, and in the platforms of their political parties came out for more and higher taxes, particularly of the direct kind, as the means for undermining private capitalism. They were right. In the light of what has happened in this country and in England, we know that in highly industrialized countries the income tax is the prerequisite for socialism. Even where violence marked the final transition, as in Germany and Italy, the State's power to tap the productive power of the country was in effect for some time before the dramatic climax. This is necessarily so. Violence is merely an expression of the general disaffection caused by a depressed economy, to which the State's absorption and misuse of capital is contributory. The State cannot take over the economy until it has the strength to do so, and its strength is in proportion to the production it is in a position to absorb.

In this country the income tax came first by way of war. Another war again brought it to the fore, and it is doubtful whether in spite of all the agitation for it, the income tax would have become a reality but for the need of revenue resulting from war. Nobody (except a few theoretical socialists) advocated the income tax as a means of abolishing private capital, and nobody had any idea that the revenues from this source would be put to such schemes as the Reconstruction Finance Corporation, the Tennessee Valley Authority, the Home Owners' Loan Corporation or any of the current socialistic ventures of the American State. Yet, none of these ventures would have been possible without the

Sixteenth Amendment. The story of the telegraph is significant. In the early days of the Post Office its annual deficits were a constant strain on the government's limited income from excise and import taxes; hence, when Morse offered his invention, Congress, even after it had made him an appropriation for an experimental line, turned him down. If deficit-spending had been made possible by a tax on incomes, the telegraph and the telephone and probably the railroads would have been nationalized from the start. But, you cannot spend what you do not have or cannot lay your hands on.

ONCE THE ECONOMIC POWER of the country can be siphoned into the coffers of the State, the politicians will find "emergencies" enough to justify increasing draughts. A depression or a drought, the pursuance of a foreign policy or the furtherance of some eleemosynary scheme, anything will do so long as the public can be forced to make the investment and meet the operational expenses. And why not? The State consists of human beings, and like all others they seek to satisfy their desires with the minimum of effort. To the politician the minimum of effort is the security of the public payroll, and the larger the payroll the better the security. The income tax thus becomes the means toward the more abundant life—for the politician. Of course, one must put the matter on a high moral plane, and this is done by identifying the good of the State with the good of the individual. The person disappears in the collectivity. Economic theory, proved by calculus, is adduced to demonstrate the enlargement of individual dignity by its eradication, and all in all a socialistic "climate" is produced. But, when you strip the verbiage from the fact, you find that the residue consists of jobs free from the rigorous demands of the competitive market place. With the pecuniary emoluments come the intangible values of prestige and power. It is all made possible by the income tax.

Private capital is doomed, not only by the absorption of it through the tax, but more so by the ruinous competition to which it is subjected by politicalized capital. The State does not tax itself; it need not worry about insurance, depreciation and obsolescence, or operational losses, since it can always

draw upon its taxing power to offset such items. But they are costs which the private capitalist must consider or face the consequences; hence in competition with the State the cards are stacked against him. The State takes the position that it operates a service in the public interest, not a business, and whatever losses it sustains is the public's gain; for that reason the demands of commercial accountancy do not apply to it. This convenient rationale simply means that private enterprise is driven out of the field by the capital taken from it in the first place. The case of private power and light companies is in point.

THE DISCOURAGEMENT of private capital, however, is far more fundamental; it is rooted in the nature of man. The motivation of human endeavor is the satisfaction of desires, and in proportion to the enjoyment of his output does man labor. His desires are without known limit; every gratification arouses a new appetite, perhaps for an imaginary pleasure, perhaps for some device which will save him effort in the broadening of his circumstances. But the expectation of possession and enjoyment of his output is the necessary condition for his labors. If the inviolability of his right to private property is generally observed, his ingenuity and industry are boundless. It is under that condition, so far as it has prevailed, that all progress has been made, that specialization and exchange replaced the self-sufficiency of primitive living, that gregariousness became civilization. On the other hand, to the extent that private property has been denied, to a like extent has retrogression set in. Private capitalism makes a steam engine; State capitalism makes pyramids.

The slave is a poor producer only because the returns for his labor are fixed at the lowest level of subsistence; when emancipation assures him of greater returns, he proves himself as efficient as the wages warrant. For like reason, production is low where banditry prevails. Even if the confiscation of property is put on the presumably high good-of-society plane, even if it is sanctified with theory and regularized by law, the fact remains that production will drop in proportion to the confiscation. There is no getting away from it. It is not only

that the producer consciously lays down on the job when he knows that no good, for himself, will come of his labor; it is that all production is automatically determined by consumption. We see this daily in the action of the market place. When real wages are high, production is high, and vice versa. One worker coming to market with a basket full of good things will spur other workers to produce an equivalent of good things for exchange. That is, labor employs labor, and ultimately one producer receives his wages from another. The unemployed worker, the one whose basket is empty, puts nobody to work, and this is so regardless of the cause of unemployment. Whether from laziness or circumstances over which he has no control, whether he has been waylaid by robbers or tax-collectors, the fact remains that his basket is empty or partially empty, and the whole productive machinery slows down accordingly. It is automatic.

It is common knowledge that as the levies on income mount, the business man deliberately limits his enterprise. It is common knowledge that war workers calculated the net return from overtime work, after the withholding tax, and unpatriotically — but rationally — decided that leisure was preferable. It is common knowledge that highly skilled workers, like actors, engineers and managers, have refused engagements which would throw their earnings into higher tax brackets. But such willful curtailment is as nothing compared with the mechanical constriction of production brought on by the legalized draughts on the market place. It is by what is put into it, not by what is taken out of it, that this great instrument of civilization operates. Robbing the market place of one percentage of energy must slow it down, even though imperceptibly, and increasing the percentage of defalcation cannot have the effect of speeding it up. Yet that is exactly what the bureaucrat promises when the market place he has been sapping is unable to provide the satisfactions expected of it. Concocting another plausibility, he adds unto himself another agency and lays another percentage on production to defray the costs. But production does not increase by this further denial of private property. So, the politician is compelled to try coercion, to invade personal liberties just as he has invaded private property, and you have

socialism. Even then there is no improvement in production because man works only to satisfy his desires.

THE SOCIALISTIC and anti-social character of the income tax is inherent. Imbedded in the philosophy of the law is the destructive principle, so that once it is in effect the economic and political consequences are inevitable. The principle of the income tax is the denial of private property. All other taxes are apologized for on the ground of necessity; the costs of the political establishment must be met by the citizenry, and so far as possible the unpleasantness is minimized by surreptition. But the income tax openly and unashamedly proclaims the prior right of the State to all production; that which the State does not take is a concession (not a right) to the individual. This point is emphasized by the item of exemptions in the law. Translated into reality, these exemptions declare: "Thus much thou shalt have for thy keep; thus much more for the support of thy wife; and for nourishment of thine offspring, until they too enter into the service of the State, an allowance is made; thou mayest deduct also for the maintenance of thy health and for the legitimate costs of thy business, and a percentage for thy favorite charities. All the rest belongs to the State, by right. And, mind thee, these concessions the State may alter or revoke at will, from year to year."

There is nothing in the Sixteenth Amendment, there is nothing in the principle of the income tax, which puts a limit on the amount the State may demand, and hence the implication is clear that the individual's absolute right of private property is denied. It is a conditional right, at best; a temporary trusteeship. That this is so in fact, if not in the wording of the law, is demonstrated by the progressive increases in the levies, in the lowering of exemptions, in the extension of the law to practically every pocket in the land. The denial of the inviolability of private property must lead to the denial of private property. It is in the phrase "from whatever source derived" that the State's prior claim to all production is unequivocally asserted. Nothing and nobody are exempt. It is because of that all-inclusive claim, and not because it desires a partnership in their illegal or immoral businesses,

that the State levies on the incomes of gamblers, thieves, prostitutes, and monopolists. It is because of that all-inclusive claim that the State justifies its use of "whips and scorpions."

The theory of republican government, that its powers are derived from the will of the people, is no safeguard against this denial of private property. Assuming that the Sixteenth Amendment at the time of its enactment did express the will of the people, every one of them, the substance and effect of income taxation was to destroy the will of any subsequent generation for modification or revocation. It is unlike any other law. For the denial of the right of private property is in essence the denial of the right of the individual to himself. He is no longer a free person if he is not free to keep and enjoy the products of his labors. He becomes a thing, not much different from a cow. Gradually the human faculty of making adjustment with environment robs him of the sense of choice, which is the reality of freedom, and he sinks into the slough of wardship. To put it another way, is the slave any less a slave because he voluntarily entered into bondage? The power of choice so exercised leaves him as he becomes conditioned to a life in which his will plays no part, and the thought of freedom must in time be obliterated from his consciousness. The right to own is an indispensable element of human dignity.

CONSEQUENTLY, as the income tax takes more and more production, so does it proportionately weaken the moral fiber of the people. They come to lean on the State, the one propertied "person," just as the bonded servant leans on his master. They demand doles and subsidies, and willingly exchange their conscience for the gift of sustenance, as at the ballot booth. Wardship under the State, by way of socialized medicine, unemployment insurance, public housing, gratuities for not producing, bounties of one kind or another, becomes the normal way of living, and in the habit of charity the pride of personality is lost. It would be nigh impossible today to promote a movement to abolish the income tax, simply because such abolition would deprive the banker of the value of investments which are guaranteed by this revenue of the State, would make impossible the sub-

sidies by which manufacturers and farmers thrive, and would put to productive work the millions who feed at the public trough either as State-employes or State-dependents. Would war veterans favor a reform that would deprive them of bonuses? Socialism ferments in the minds of de-propertied people.

Moral deterioration is a progressive process. Just as a worn part in a machine will affect contiguous parts and thus affect the entire mechanism, so the loss of one moral value must ultimately undermine the sense of morality. The income tax, by attacking the dignity of the individual at the very base, inevitably leads to the practice of perjury, fraud, deception, and bribery. Avoidance or evasion of the levies has become the common concern, and talents of a high order are employed in the attempt to save something from the clutches of the State. People who in their private lives are above reproach will resort to the meanest devices to effect some saving and will even brag of their ingenuity. Lumping together the various known devices, they come under the general head of lying; sometimes it is legal, sometimes illegal, but it is all lying. Now, the habit of lying cannot be contained, and once a people get into the habit in the matter of making up tax returns, it spills over into their other affairs with facility. Income taxation has not improved the moral standards of America.

But what can you expect when the State takes the place of God?



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During his varied experience in business he made an intensive study of political economy, particularly of the classical school. He has had, therefore, ample opportunity to compare economic doctrine with the realities of economic life. In 1936, he gave up business and accepted the directorship of the Henry George School of Social Science in New York. He also founded and edited *The Freeman*, the official publication of the Henry George institution.

In 1942, as a result of the war, he gave up his directorship and since then has lectured, written, and taught classes in his favorite subject.