

CHAPTER 17

THE SOVEREIGN TAX-COLLECTOR

WHEN the Union was founded, political scientists were agreed on the axiom that the source of sovereignty is the individual. It is from him that government derives its powers. This involves another assumption, the one about “natural rights” inhering in the individual by virtue of his existence or by divine gift. The two ideas, necessarily related, emerged from the revolt against absolutism, resting its case on the doctrine of the “divine right of kings.”

Neither doctrine as to the source of sovereignty is provable. The nature of sovereignty, however, is beyond doubt; it is the degree of coercion that the government exerts on the people; and this degree of coercion is in turn dependent on the amount of the nation's wealth the government has at its disposal. For the coercion must be exerted by men, and

men must live while they carry out the orders of the government. The police must be paid.

In short, sovereignty is a matter of taxation; the more taxation the more sovereignty. Conversely, the immunity of the people is in proportion to the amount of their wealth they can keep out of the government's hands. It follows, then, that the Sixteenth Amendment, which gives the government a prior claim on all the production of the country, puts the government in the way of acquiring as much power as it is possible for a government to exercise; that is, under our revised Constitution it is possible for the government to attain absolutism. The introduction of income taxation destroyed the original concept of the Union—as consisting of autonomous states, in which political power was a concession from sovereign citizens—just as effectively as if it had been done by a foreign invader.

The indisputable fact of the Sixteenth Amendment is its socialism; it denies the right of private property. Other taxes, particularly the indirect kind, are apologized for on the ground of necessity: the cost of maintaining the political establishment must be met by the citizenry, but the levies are made as painless as possible by hiding them in the price of goods. The income tax, on the other hand, unashamedly proclaims the doctrine of collectivized wealth. The State may take whatever it needs, as a matter of right; that which it does not take is a concession. It has first claim on all the earnings of all the people. A paraphrase of the income tax law would go like this:

Thus much thou shalt have for thy keep. Thus much more for the keep of thy wife; and for the nourishment of thy children, until they too enter into the service of the State, an allowance is made. Thou mayest also deduct for medication, if any, and for such expenses of thy business as are necessary for its continuance, and a percentage for thy favorite charities so as to relieve the

State of maintaining them. All the rest belongs to the State, as a matter of right. And, mind thee, these exemptions and the rate of taking the State may alter at will, from year to year.

Is this an exaggeration? There is nothing in the Sixteenth Amendment, there is nothing in the spirit of income taxation, that puts a limit on what the State may confiscate. Legally, all that is produced by the citizenry may be demanded, and the relationship between the State and its subjects, as far as property is concerned, approximates the relationship between master and slave. What makes the slave a slave is that he is legally denied the right of property, and the master is so only because the law permits him to appropriate all the slave produces. The substitution of the State for the individual master does not deny the economic substance of slavery, even though the State cloak its appropriations with eleemosynary intent; the individual master also takes care of "his people." The primary right of the individual to life is denied when his right to the possession and enjoyment of the fruits of his labor is denied; he who may not own may not be. And it is foolish to talk of a sovereign people without the right of property.

The Poor and the Rich

In the beginning, income taxation was eased into our *mores* by its promise to "soak the rich." It flattered what the people were pleased to call their sense of justice, which was only envy. Their concern was with tearing down, not with moral principles.

The opponents of the Sixteenth Amendment were equally devoid of principle, for they were quick to make compromise, since the first levies were low and the exemptions high. As was inevitable, the exemptions were regularly lowered and the levies increased, so that income taxation now falls

most heavily on those least able to bear the burden. This consequence was unavoidable simply because political power is incapable of self-restraint and stops short only when confronted with vigorous social opposition. Since its power is in direct ratio to its income, the State could not overlook the pockets of the poor; the poor are the largest segment of the population and their aggregate income is the most attractive target of spoliation. "The Congress shall have the power," says the amendment, "to lay and collect taxes on incomes *from whatever source derived . . .*"—and in that italicized phrase rests the unlimited power of appropriation; nothing and nobody are exempt, neither the incomes of the poorest nor the incomes of gamblers, thieves and prostitutes. It is the unequivocal assertion of the State's lien on all the wealth of the nation.

The passion for levelling that insinuated the Sixteenth Amendment in the Constitution obscured the fact that this all-inclusive power of appropriation must in time reduce the people to the condition of wardship. Every strengthening of the State is accomplished by a weakening of the moral fibre of the people. That is axiomatic. Just as a bonded servant is dependent on the will of the master, so do people deprived of their incomes acquire the habit of charity; they learn to lean on the only propertied "person," the State. Dependence on the State, by way of socialized education, "free" medicine, unemployment insurance, public housing, gratuities and subsidies of all kinds, becomes the normal way of living and the pride of personality is lost. When self-reliance falls into disuse, it atrophies.

Moral deterioration is a progressive process. Just as a worn part will affect contiguous parts and bring the entire machine to collapse, 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,

leads to the practice of perjury, fraud, deception and bribery. Avoidance and evasion of the levies have become the passion of the country, and talents of the highest order are expended on trying to save something from the clutches of the State. People who in their private lives are above reproach brag about their ingenuity in beating the law. Putting all the tax-evasion devices together, they come under the head of lying; sometimes it is legal, sometimes it is illegal, but always it is evasion of the truth. The habit of lying grows by the practice, and a people constantly on the alert for an effective lie in the making up of their income tax reports must in time put little worth on truthfulness as a whole.

The political concept of a sovereign people, capable of self-government, rests on the assumption that the people are possessed of integrity, if not wisdom, and that they are free to make choices in the light of their understanding. But, a people inured to deception by the necessity of living are not likely to heed moral principles in the management of their common affairs; nor does freedom of choice have any meaning if the best they can expect from the management is a gratuity from their confiscated property. The sovereignty of the people is rather tarnished by their willingness to trade their conscience; a "bought" election is hardly the free expression of an independent people.

Yet, nothing else can be expected; income taxation must produce a slave psychology. One must live. Since the source of doles, subsidies, jobs and economic favors of one kind or another is the tax-fund, the party in control of it is their natural "choice," while the best the "outs" can do is to promise a more lavish distribution and hope that the promise will carry weight at the polls. That consequence of the Sixteenth Amendment was unavoidable. If ever there was any validity to the concept of a sovereign citizenry, from whom the powers of government are derived, there certainly is none now.

The Rationale of Robbery

Consciously or instinctively, the proponents of home government (or States' Rights) proceed from a philosophical axiom, that the individual is the only reality. He alone exists. Without him there cannot be a society, and without society there is no need of government. Society, in fact, is nothing but a convenient abstraction, a word describing an agglomeration of individuals cooperating for their mutual advantage. The character of society is but a composite of the characters of its components; it has no other. In short, society is nothing of itself.

For the purposes of society—that is, the improvement in the circumstances of its membership—experience has shown the need of an umpire. Since all the members are assumed to be possessed of the right to do whatever they please, provided they do not transgress the equal rights of others, it is necessary for society to provide a means of preventing transgression or of effecting restitution when it occurs. We give government a monopoly of coercion so that it can prevent coercion.

On the record, however, the government, which must consist of fallible human beings, is too often inclined to use the power vested in it for purposes not consistent with its appointed duty; it frequently goes in for a bit of predatory activity in the interests of its own members or of favored citizens. The only preventative is constant surveillance. There is no known "system" that will automatically keep the governing committee in line with its social mission.

This problem of surveillance presents a physical difficulty. The business of the members of society is the production of goods and services; this is demanding enough and leaves little time or energy for the supervision of government. It is

necessary, therefore, that government be kept within reach, small, and completely dependent for its keep on the will of the body it serves. If it engages in activities too complicated for the citizens to follow, if it assumes to be an active agency as well as an impartial umpire, or if it achieves economic independence at the expense of the citizens, it will surely get out of hand; in that case it must become a burden and a hindrance. The evidence of history supports the conclusion that simple, small and dependent government is the only kind that can be watched and held to its social aim.

That, in a nutshell, is the reasoning behind the home government idea—or the American doctrine of States' Rights.

The income tax proceeds from, or finds justification in, quite the opposite premise, namely, that society is not only an entity distinct from the individuals composing it, but is endowed with capacities and qualities superior to anything the individuals can lay claim to. The collectivity may be a merger of individuals; still, the merger is a thing in itself, with a character of its own. This artifact of man is greater than its maker.

Once the fiction of a separate and superseding society is accepted as fact, logic has no difficulty in marching directly to the income tax and to the interventions that follow in its wake. In the first place, the fictional premise liquidates the doctrine of "natural rights"—of immunities inhering in the individual. That doctrine, say the collectivists, is an unprovable assumption; actually, they point out, the individual exists only within the framework of society. He is like part of a machine, necessary to its operation, but replaceable and therefore of consequence only as an accessory. The whole is greater than the sum of its parts. As a matter of experience, they say, what we call rights are merely the liberties that society (acting through its managing committee, the gov-

ernment) deems it advisable, in its own interests, to permit the individual to enjoy; when society finds the exercise of these liberties inconsistent with its purposes, it is entirely justified in withdrawing them. There are no immutable immunities.

Particularly is this so in the case of property. The individual may not lay claim to what he produces simply because he produces nothing by himself. Society produces everything; the more integrated the society, the greater the subdivision of labor, the greater the total production and the greater the dependence of the individuals on the collectivity. It follows from this line of reasoning that society alone has a vested interest in all production, and what the individual obtains through the system of wages and profits may be appropriated at will; he holds it in trusteeship only. The judgment of the governing committee as to what part he may keep for his own consumption cannot be questioned.

Thus we have the rationale of the income tax, if one is needed; in point of fact, the political establishment does not go in for rationalization, but exercises its power of confiscation on the basis of law and custom. But, the argument is implied not only in the confiscation but also in the government's assumption of duties and functions made possible by the confiscation. First comes the confiscation under cover of law; with confiscation comes power, or the means of employing policemen (as well as publicists and lawyers) to compel or induce people to do that which they would not do if left alone and in possession of their wealth; power feeds on power, and so we have the Welfare State, or the complete denial of the sanctity of the individual and the glorification of the amorphous god, State. The rationalization comes long after the fact of power has been established. It is the moralization of theft. It is the self-glorification that makes it easier

for the thief to enjoy his loot and facilitates further looting. It is the justification for the exercise of power.

Open Sesame for Absolutism

Subtly implied in the Welfare State idea—in the intervention in private affairs made possible by the confiscation of wealth—is the concept of inferior and superior orders of men. Those who are in position of power are there because of either innate capacities or special training, or both, and are thus destined to look after the vast majority not so qualified. This is a modernization of *noblesse oblige*, with very little *noblesse*. In this country we have not got around to identifying the rulers with titles of nobility, but the public mind is fast becoming inured to the distinction between bureaucrat and taxpayer, between an aristocracy of power and a subject people. The inurement was facilitated by constitutional methods, by strict adherence to the forms prescribed for limited government. Nevertheless, the division of American society into ruled and rulers is as real as if it had been accomplished by conquest. The will of the people had to give way to economic necessity, and as the habit of begging for handouts grew so did the importance of the benefactor. We have come by absolutism quite without realizing it.

That the income tax was bound to transfer sovereignty from the people to a ruling class is seen when we look into the economic nature of the levies. It is not, as the title infers, a tax on earnings; it is a tax on that part of the earnings that might have become capital. Obviously, the State does not take what the earner consumes, it takes what he might have saved. Savings become capital, things used in the production of consumable wealth, like machines, railroads, buildings. The more savings thus invested the larger the capital structure of the community, and the larger the capital struc-

ture the greater the abundance of things men live by. What the State takes thus lowers the total productive capacity and, consequently, the standard of living. Dependence on the State follows as a matter of course.

Nor is this conclusion refuted by the claim of those who advocate State-capitalism, namely, that the State employs the savings just as the individual would have done. The primary purpose of the State is the retention and extension of its power, not the production of things; in the latter field it simply has no competence. The individual capitalist is compelled by the marketplace so to employ his capital that the consumer will buy its products at a price that yields him at least the amount of capital consumed in production. The private capitalist must render a desirable service or lose his capital. The State is under no such compulsion. If it puts the confiscated capital to productive uses it does so for purposes of political power; it is monopolistic by its composition, and if what it produces does not meet with public favor the public has no recourse; you cannot take your letters to a competing postal service if the State's is unsatisfactory. The price charged by the State does not include all costs, including depreciation of capital, for it can compel the consumer, through taxation, to make up operational deficits.

Deficits are characteristic of every venture in State-capitalism; so much so that the State is compelled to explain them away; every deficit, the Statists assert, merely represents an additional "public service." It is not correct, therefore, to compare a Post Office Department or a Tennessee Valley Authority with a capitalistic venture. These are not businesses, but are political institutions. Whatever "services" they do render are not what we demand of free capital. State-capitalism is nothing but the use of what might have been capital to increase the power of the State over men.

The Great Moloch

In this country, the State has got around to appropriating approximately one-third of the total production, with the promise of more to come. It has, therefore, become the largest single employer of labor, the largest single purchaser of goods. Its continuing absorption of what could otherwise become capital reduces the number of opportunities for self-employment. Under the circumstances, men are compelled to turn to the State for sustenance, and by the subtle process of adjustment to look upon it as their benefactor and guardian angel. Its predatory character is lost in the pyramids it builds, in the monstrous works for which there is no economic need and which serve only to advertise its greatness and its goodness. The disposition of men to resent political power is thus enervated. Sovereignty is thrust upon the State.

Well, then, since the commonality in America has accommodated itself to the doctrine of absolutism, what reason is there to raise objection? Only this, that in the long run the general economy must decline with the wastage of potential capital, and with the lowering of the economy comes a loss of aspirations and the loss of human values.

There is one ineluctable fact of human behavior that Statism cannot overcome: men labor only to satisfy their desires. They do not work for society, they work for themselves; there is no way of collectivizing desires. If for their exertions they get mainly monstrous dams and propaganda books, things they would not make of their own accord, their interests in laboring diminishes. The futility of it all dampens their aspirations. A meal and a mate they must have, but the marginal satisfactions, the things they can get along without, like baseball and Beethoven, are dropped in the difficulties

of acquiring them. The values are lost. If the State, in its own interests, does supply these marginal satisfactions—the Roman State provided circuses as well as bread—the sense of achievement that heightens enjoyment is gone; one takes what is given, asks for more, but there is no appetite in it. The loss of interest in effort, in self-expression, is the mark of a declining civilization. And that eventuality the State cannot prevent.

If this is what follows from the channelling of the wealth of the nation into the political establishment, then true patriotism dictates an effort to put a stop to it. The repeal of the Sixteenth Amendment is the one thing we can do to save America from the dust-pile fate of other civilizations. That alone will decentralize and weaken the American State—and set up government again.