

New Economic Policy

The late Mr. Lenin discovered that when his Red Army confiscated the produce of their labor the peasants quit working; they limited their efforts to the production of their immediate needs, since that was all the Red Army would permit the peasants to have. In order to encourage more production, so necessary to Russia, Mr. Lenin wisely introduced a system which reduced the amount of confiscation and permitted the peasants to retain more of their products. This system was called the New Economic Policy.

Recent reports indicate that Mr. Roosevelt and his entourage have hit upon the same law of production. Any interference with the distribution of wealth has the tendency to discourage the production of wealth. Since every tax is merely a government levy on production, the effect of taxation is to stifle the incentive to produce. Man's desire to live prods him to overcome these levies by evasion, when possible, or to become more industrious, in the hope that he can overcome the peculations of the tax-gatherer. The voracity of the latter, however, defeats the producer's purpose. As the burden of taxation increases, the futility of trying to retain one's produce becomes more apparent; defeatism sets in. When that happens production tends to stop at the point where mere subsistence is assured.

A tax on capital is more vicious than a tax on wealth. For, in levying on capital the government dim-

inishes the existing tools of production. Thus the power of producing even taxable income is reduced. To take away a farmer's potatoes is bad; to take away his plow is infinitely worse. The capitalist who ventures into industry when capital levies are in the fiscal policy of the nation is a fool.

From recent news reports it seems that some of the politicians who shape our economic destiny have learned this lesson of taxation. They learned it the hard way. Ten years ago our economy collapsed because the levy on production by the owners of the earth was a burden which neither labor nor capital could bear. When this happened our "economists," who cannot differentiate between production and privilege, sold the government on a number of plans for reviving industry, every one of which required an increase of our tax load. Production has not increased. And there is no prospect that it will.

So, a New Economic Policy seems to be in the offing. We hear talk about curtailing government expenses, assurance that there will be no increase in taxation this year, promises from the President that the Administration has no intention of extending its power projects, a balanced budget, modification or elimination of taxes found to be deterrent to a business revival. It appears that the Secretary of the Treasury, whose position forces upon him a measure of realism, is the proctor of the Nephmen.