It will be seen that in good times and bad, in war and in peace, the calf has grown faster than the boy for more than fifty years—as a per cent of net national product.

It should also be noted that all taxes are considerably less than all government spending. There are other sources of government revenue, such as borrowing, veterans' insurance premiums, tariffs, profits from state liquor dispensaries, etc. For example, in 1953, total tax revenues (federal, state and local) were $93.2 billion in current dollars; government expenditures (federal, state and local) were $102.5 billion. All government spending as a per cent of net national product is now considerably above the 27.6 figure. The burden of government is getting more difficult to carry, despite our advancing technology, productivity and growing population.

When the government debt—federal, state and local—is converted to *uniform* dollars (considering the dollar from 1947 through 1949 as 100), we find that from 1929 through 1953 this debt has increased 386 per cent; all taxes have increased 410 per cent; all goverment spending, per capita, has gone up 320 per cent; all government debt, per capita, has gone up 271 per cent.

On the ability to pay side of the picture, during these same years, the Federal Reserve Board index of industrial production has gone up only 127 per cent; agricultural production, only 46 per cent; population, only 31 per cent; net national product only 98 per cent, and corporation profits, after taxes, only 21.5 per cent.

Business Already 54 per cent Socialized

In 1929, corporations had $85 left out of each $100 of net income after paying their taxes—federal, state and local. In 1953 they had only $46 left. One might say, therefore, that government has already socialized 54 per cent of corporate privately owned business without becoming the title owner, as in nationalized Britain or communized Russia. At least it is in a financial position equal to owning 54 per cent of all corporate stock. And this does not include taxes on dividends. If these are included, "government ownership of the corporate means of production" is now over 60 per cent.

While all taxes have risen 410 per cent, corporation taxes have been boosted 768 per cent. In short, "soak the corporation." This illuminates the mumbo-jumbo with which the political medicine men have infected public thinking. Corporations do not "pay" taxes. They *collect* taxes either from customers or shareowners—practically all from customers in the sales price unless the business is running at a loss. Only *people* pay taxes.

Taxes as a part of net national product in 1929 were 10.7 per cent. That left $89.30 out of each $100 of all goods and services produced yearly for private enterprise to use as it thought best. In 1953, as stated, the percentage of taxes to product had gone up to 27.6.

An astonishing fact is that *in dollars of the same purchasing power,* the total of all dividends paid in 1953, then the all-time peak year for "prosperity," was actually *less* than in 1929, despite the advances in technology and productivity since that time.

These figures prove not only that socialism via taxation proceeds apace but that the vitality, initiative and flexibility of the private sector of our economy are being sapped. When will it pass the point of no return, as it seems to have done in France and other countries? To quote Mr. L. L. Colbert, the president of the Chrysler Corporation, "No government can be sound which challenges in size the economy that is expected to sustain it."

The Prospect for 1980

If the proportion of taxes to net national product maintains its average rise in the future as it has since 1929, taxes will reach 100 per cent of net national product by 2042 A.D. At that point our incomes would be completely socialized. Perhaps we will never go that far. But *when* and at what point will we stop this constantly rising upward march to socialism via taxation?

Based on the experience of 1929 to 1953, the curve of rising taxes will reach 50 per cent of net national product in 1980, only 25 years from now. If this rising curve continues upward, at some point—long before the year 2042—the American people will have lost their economic, if not their political freedom and become socialized in practical effect, even if they are still permitted to hold the nominal titles to farms, factories and homes.

Taxes as a percentage of product need not go much higher than they are now before the political machines in control of our national and state governments will dominate American life. Businessmen, voters and home owners will be so dependent on government purchases and financing that business and citizens generally will become suppliants at the political throne, and the balance of power will be held by those on government payrolls and their political allies and beneficiaries.

The pressure for "federal aid" for highways and schools is an example. Federal taxes have preempted the sources of state and local revenues to the point where the busy beavers on the Potomac point the finger of shame at our schools and highways and demand that we hire them to aid us with our own money sent to them. This is like the policeman who stole the clothes off a man and then arrested him for indecent exposure!

It is possible, of course, that some future rebellion against rising taxes will take the form of increasing tax evasion and bribery of officials, until the morale of the nation, and the honor and character of its people rots away—again, as seems to be the case in France and in Italy today.

Another possibility is that the weakening of initiative and willingness to work hard and take risks, by reason of government's seizing more and more of the fruits of one's toil, will gradually level off or even turn down the rising curve of national product. In that case the percentage of taxes to product might rise much faster than it is now doing.

A British prizefighter after two or three bouts refused to fight again that year because the government would take 97 per cent of his purse. "Why risk my neck for three cents?" Or, as Calvin Coolidge said, "If the government takes 20 per cent of what a man makes on Monday, 30 per cent on Tuesday, 40 per cent on Wednesday, 50 per cent on Thursday, he won't show up for work the rest of the week."

Repudiation of Government Bonds

Leading students of government finance believe that when taxes absorb more than 25 per cent of national product, as they now do, for any long period of time, taxpayers will demand even cheaper money and higher prices as an *apparent* way to ease their tax burden. With reference to other burdens, this was the motivating force behind the growth of the Greenback and Populist parties, the "free silver" campaign of 1896, the devaluation of the dollar in 1934, and similar movements throughout the world.

Such a demand, expressed in continuing unbalanced budgets and the growth of debt at all government levels, would inevitably lead to further repudiation of government bonds in terms of their real value. This we have already witnessed to the extent of nearly half their former real value. The resulting distress would inevitably lead to more and more government intervention in the economy. There is no major country in the world which has not repudiated its debts in whole or in part, including the United States.

Aside from war, there are fiscal reasons for this concentration of political, economic and financial power at Washington which need to be much better understood.

Many, if not the majority of the 48 states limit the borrowing power of themselves or their municipalities by constitutional restrictions. The federal government has none. In addition, many states, by constitution or statute, limit the taxing power of either the state or its municipalities, or both. Under the Sixteenth Amendment, the federal government can tax or confiscate incomes without limit. It is the only sovereign power which is not limited by the Constitution and Bill of Rights. The federal estate tax is a capital levy—also without limit.

Second, states and municipalities cannot print, or coin, or devalue money to enlarge their functions and spending. They have to get their funds the hard way—by taxing their voters. Or, if they borrow money, they have to pay interest rates established in a free market and satisfy the lender that the loan is sure to be paid on its due date—from taxes. They cannot make the money markets their creatures nor depreciate interest rates at their caprice. This puts a brake on their borrowings, and creates resistance to socializing the capital or income of their taxpayers.

Another brake on state or local taxes and debt is that taxpayers and industries can move elsewhere. They have the benefit of political competition, state versus state, in keeping taxes at a somewhat reasonable level. But with respect to federal taxes, there is no escape.

The federal government, however, is under none of these legal or practical restrictions. It can force interest rates down; borrow huge funds cheaply, either from the savings of the people, or by monetizing its debt through the commercial banks, and then pay interest on the debt by converting still more of its promises into Federal Reserve notes, or bank deposits, or by devaluing its gold and silver hoardings, or by outright greenbacks.

The federal government can print what is called "money"; the states can not. The federal government has the easy money route to do the bidding of vast pressure blocs eager to raid the treasury and "vote themselves rich," and thus also the federal government has become their prisoner.

It has not yet been proved anywhere in the history of the world that freedom can long endure when the government has the unlimited power to tax or incur debt.

A limitation on the taxing power of the federal government is a necessity if we are to preserve private capitalism, the states of the Union and freedom itself.

> The system of plundering each other soon destroys all that it deals with. It produces nothing. Wealth comes only from production, and all that wrangling grabbers, loafers and jobbers get to deal with comes from somebody's toil and sacrifice.
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> Whenever we try to get paternalized we only succeed in getting policed.
>
> WILLIAM GRAHAM SUMNER