

CHAPTER XXI

A PAPER-MAKING GOVERNMENT

TAX ON PRODUCERS

The iniquity of the present proceedings in Washington, so far as taxation is concerned, must surely be appreciated by all those who assent to the present burdens. From the Executive and Congress, all the way down to the White House retinue of petty advisors of the cabal, there must be numbers of persons who know the economic consequences of the impositions that have been laid upon the taxpayers. For no one, even in this mad world, would be so bold as to say that all the above-referred to people do not know what they are doing. What they think they are doing seems to be clear to many thoughtless people, and that is that they are intent upon distributing "ill-gotten gains," to use the phraseology of the cabal. But what they are really doing is quite another matter. In attempting to devise a scheme for a redistribution of wealth, they are assuredly and swiftly reducing the purchasing power of wealth, for a tax on wealth must be paid by the producers of it. Ultimately, it cannot be paid in any other way, or by any other persons.

PRODUCTION OF WEALTH

Let us ask where the wealth which is taxed, comes from? There can be but one answer, and that is: land, for it is impossible to produce wealth from any other

source. But who produces it? Labor with the assistance of capital. Therefore, wealth is produced by labor from land; and labor pays interest to capital, which has been loaned to assist in its production. How, then, it may be asked, will the gigantic deficit of government be met? To this there can be but one reply, and that is: by taxes upon wealth; that is, wealth produced by labor from land. Now we may ask, whom is the government taxing? The answer is: labor. Labor may not pay the tax directly, but labor produces the wealth from which the owner of it pays the tax. That should be simple enough for a child to understand. The government today is levying higher and higher taxes upon the producers of wealth, no matter who the person may be who owns it for the time being.

In this proceeding, they have been obliged to run the government into debt, for in many cases they have redistributed the wealth before they have received it in tax. Therefore, the government entered early into the paper-making business, the worst business of all the nefarious enterprises of the State.

DEFICITS

To give an idea of the growth of the paper-making business under this administration, it may be pointed out that the gross debt of the United States in 1932 amounted to slightly under twenty billion dollars. For the year 1937, the gross debt of the country was over thirty-seven and a half billions. So, in four years the paper-making business rose by over seventeen billions.

Now, according to accepted ideas, this government paper must be some day redeemed, but how it is to be redeemed no one at Washington seems to know. Yet, the Executive and his advisors must understand what they

are doing, because in the campaign speeches which were made during 1932, in support of the Democratic National Platform of that year, they frequently revealed a knowledge of the evil of deficits; which leaves no doubt as to their consciousness of their present acts. The Executive himself, on July 30, 1932, when he was out for votes, cried, "Let us have the courage to stop borrowing to meet deficits—stop the deficits!" And the Democratic National Platform, out for votes, promised to "accomplish a saving of not less than 25 percent in the cost of Federal government."

The same document informed us that "A party platform is a covenant with the people, to be faithfully kept by the party when entrusted with power." In 1932, when the former depression was at its worst, the Democratic candidate for the presidency gave the people a firm pledge to reduce the cost of Federal Government by twenty-five percent, if he were elected. He said:

"I accuse the Hoover administration of being the greatest spending administration of peace times in all history. The plain precept of our party is to reduce the cost of the current Federal government by 25 percent. This I pledge to you and nothing I have said in the campaign transcends in importance this covenant with the taxpayers of the country."

Therefore, we may take it that the Executive and the rest of his party understand quite clearly the iniquity of their acts. They are, by their tax programs, enslaving labor, and the circle has come full; whereas Lincoln and his party emancipated the Black Slaves, the present Executive and his party are enslaving the White folks. In plain terms, it comes to this: that if the

government is to remain solvent, all labor—men, women, yes, and children, too—will have to produce the wealth that will meet this bill. If, on the other hand, the government has the courage to declare itself bankrupt and regards repudiation as necessary, it will be forced to do one of two things, or perhaps both: it will regard the money that is owed to the people, who have loaned it, as a capital levy and tear up the paper, or the government will tear up the paper, and then institute a capital levy on what is left, to replenish the coffers of the Treasury. For, having started in the paper-making business, it will be forced to carry on with it, so long as it can gather the money that is necessary for bribing a sufficient number of the electors to give it a majority at the polls. Once in the paper-making business, it is not easy to get out of it. And every time the Executive tells his voters that he will not let them down, he makes it the more difficult for the wealth producers to get up. I suppose it is quite all right, in his political code, to cry to those he has put upon their backs, that he will not "let them down," because it is not to be supposed for a moment that those who are prone, know that they are not standing on their feet.

INTERPRETING THE CONSTITUTION

Now it may be presumed that among the many products of our law schools who have gathered around the Executive, there must be one who has read, perhaps in a desultory way, some of the controversies which arose concerning the interpretation of the Constitution. There are books enough (some of them even written by professors of government at our universities) which deal with the whole matter of these disputes, from the

“horse and buggy” days down to the present time. No doubt, some of the students, when they were at law schools, heard of a person of considerable significance, called John Taylor. He was a leader in Virginia politics and had a good deal to say about the paper-making business. Singularly appropriate to the present financial chaos, are his words set down in a document which attacked Hamilton’s financial system. Taylor said:

“Political power is transferred from the nation to a paper fabrick, erected, neither by the people, nor by the constitution but by the government; and consisting of about one hundred and twenty millions of bank and funded debt. Is this a government of numbers?—No—Of property in general?—No—It is a government of paper.

“Paper is *in fact* the only representative, both of numbers and of property, bestowed by a faction upon itself, for the purpose of transferring to itself, the property of others. An effect, which never could have been intended by the constitution. . . .”

Can there be a doubt in anyone’s mind as to the present government being one of paper? But Taylor was referring only to one hundred and twenty millions of dollars. Here, we are considering a mere matter of something like thirty-seven billions.

TANGIBLE WEALTH AND INTANGIBLE PAPER

No one distinguished the tangible source of wealth from the intangible paper of government so clearly as Taylor did. He says:

“Political property, is distinguishable from natural property. Land cannot be increased by law—paper money may. Land, being incapable

of an artificial multiplication, cannot by increasing its quantity, strengthen its influence—with paper the case is different. Land cannot in interest be at enmity with the public good—paper money is often so. Land cannot be incorporated by law, or by an exclusive interest, into a political junto—paper credit may. Land is permanent, paper fluctuating. . . . If the antithesis is just, the danger to be apprehended from the one, and the confidence which may safely be reposed in the other, evidently evinces that its legislative influence is an usurpation upon the constitution, respecting both the rights of numbers, and the rights of property. . . .

“ . . . A constitutional expulsion of a stock-jobbing paper interest, in every shape, out of the national legislature, can alone recover the lost principles of a representative government, and save the nation from being owned—bought—and sold. . . . ”

That's the way they used to talk in the “horse and buggy” days! And these were the principles that animated the Democrats of the time—the Jeffersonian Democrats. No one saw so clearly as Taylor the iniquity of enslaving a nation by issuing paper, which must be honored by the producers of wealth. He said: “The only two modes extant of enslaving nations, are those of armies and the system of paper and patronage. The European nations are subjected by both, so that their chains are doubly riveted.” He, with Jefferson, saw the dangers of setting up a despotism in a democracy. Both saw quite clearly what iniquities, unchecked authority might devise for maintaining power. Taylor said:

“Authority is subject to fraud and error; national judgment, to error only. Nations have no motive for deceiving or injuring themselves;

authority, so many for deceiving or injuring nations, that it seldom or never fails to do both. A nation never knowingly adopts or adheres to an oppressive measure; authority is so entirely addicted to this vice, that it is constantly its original design, or final effort; and the first pretension to the dictatorship it usurps, is an advertisement that it is already a knave, or will finally become a tyrant."

One last quotation from Taylor's reply to Adams' *Defense of the Constitutions*, which proves that if the people of the end of the eighteenth century did not know the joys of the radio, the motor car, and the aeroplane, they were singularly more enlightened about political procedure than we are today:

" . . . If, therefore, these essays should only prove, that it is the office of a republican government to protect, but not to bestow property, they may protract the period during which our government may remain the servant of the nation. For as worldly omnipotence is annexed to a power of dealing out wealth and poverty, nations are universally retributed for the folly and impiety of submitting to this species of human providence, by a divine decree, that it shall unexceptionally convert these servants into masters and tyrants."

ENSLAVED WEALTH PRODUCERS

The Executive and his supporters and advisors have done more to enslave the wealth producers of this nation than any power on earth did in a generation of war and conquest. Every principle that was held dear by the men who laid the basis of a democracy safe, as they thought, against a despotic ruler or a tyrannical junto, has been violated by this administration. This

can be easily proved by comparing the principles held by such men as Jefferson, Taylor, and Abel Upshur, with the acts that have been committed by the Executive and his Congress.

THE DECLINE

Every State of any consequence in the world is today building up a paper fabric which degrades more and more the well-being of its people. In classical ages the decline affected only one culture at a time, but today it is not a matter of one single culture, but of the whole world that is engaged in this mad orgy of spending, and piling up paper. We have had the example of Germany and of what happened to its paper fabric; we have also had the example of France and what happened to its paper fabric, owing to the deflation of the franc. Scarcely any country of Western civilization has escaped some of the severities of this practice of issuing notes. The present race for armaments will add further to the weight of this paper fabric, and still further reduce the purchasing power of the people's money. The public debt of Great Britain is today just under forty billions of dollars. It is now ten times greater than it was less than twenty-five years ago. But her trade and commerce, imports and exports, are now little more than what they were in 1914. I take Great Britain as an example because she is undoubtedly the best-governed State in the world.

The gross debt of the United States amounts to over thirty-seven and a half billion dollars. Twenty-five years ago it was under two billion. To this there must be added the enormous costs of State and municipal governments. The worst of it is, for the producers of wealth, that there seems no way of bringing this state

of affairs to an end. Retrenchment is out of the question, for retrenchment here would be the cause of undermining the influence of every politician. Moreover, every month that the present depression deepens, will call for more and more money for relief. The scandals connected with this system reveal the enormous difficulties of attempting to check the waste which is prevalent everywhere. The government's orgy of spending indiscriminately can be likened to that of a drunken sailor just ashore. The salaries given to the relief dispensers have risen and, even before the present depression set in, it was shown that in most of the localities the numbers of persons applying for relief, and getting it, increased during the days when trade was better. St. Paul had 12,213 persons on the relief rolls in 1933, and 18,829 during most of 1937. Providence had 3,000 on the relief rolls in 1932 and in 1937, 11,000. So it is not difficult to imagine what is taking place in the large centers all over the country. As one commentator, who has investigated a good many cities, says: "It is clear that relief has come to stay."

Undoubtedly, a big vested interest has been set up, so far as the business of administering relief is concerned, and this interest is one of great political power. All this is according to the set purpose of the Executive and his advisors for, did he not tell us in the spring of 1934, that "public service offers better rewards in the opportunity for service than ever before in our history?" The business of the administration in increasing the number of parasites who live upon the people's labor has been the most successful of its achievements.

THE FUTURE

When considering this question of piling up debt and increasing the supply of paper, it must not be for-

gotten that the future is heavy with clouds, for the Social Security scheme is one of the chief means today of increasing the load of paper that labor must redeem some time in the future. It is already recognized by the experts that labor of the next generation will be producing the old-age pensions of its own fathers.

Declared bankruptcy may be a way out. Repudiation, however, in the form of conversion will not take us very far, for today people are lending money to the government for next to nothing; notwithstanding that the people's banks are carrying heavy loads of government paper. Still, it is not so easy to say when a government is bankrupt. A short time ago the French government was faced with the extraordinary situation of having to admit that it had not the money to pay its civil servants. But a change of ministry was sufficient, for the time being, to manipulate an accommodation. When the day comes that the administration of this country has to admit it has not the money to pay its civil servants, including Congress, no change of government can be brought about over night to ease the situation. A pretty state of affairs will ensue. During the great depression, many of the big cities were in arrears as to the payment of teachers, police and other services of the municipalities. Many strange things happened during that financial crisis, that should have pointed direct lessons at all and sundry; but they were scarcely heeded because, when this administration came into power, it immediately started the game of drugging the people into forgetfulness by wholesale grants and indiscriminate relief. Now, when it is clearly understood that at least one-fourth of the wealth produced in this year will be deducted from the producers to pay for Federal and local governments, and that the tendency of the depression will be to deepen, it should not be difficult to

imagine the pass to which we may be brought in a very few years. No doubt, the government will go on with its preposterous cry to the industrialists not to reduce wages and at the same time to decrease the cost of the articles produced. Anything more puerile than this command of the administration can scarcely be imagined for, as the cost of government increases, the purchasing power of money declines, and as purchasing power falls in value, fewer products are demanded from labor and from this follows a lessening of demand for workers. The government is in a vice of its own making, one that must go on tightening in every effort the administration makes to extricate itself, along the lines laid down by the Executive.

The Nemesis of man, therefore, is clear. He has enslaved himself. He has permitted government to enmesh him in a paper fabric, as John Taylor called it. Labor has peonized itself, reduced its status to that of a slave. The difference now is that the slave owner is not the planter, but the government. Labor has made only a change of masters, and the circle has come full. The economic means is subjugated by the political means. Whether the present-day slave will find his new Legree any more sympathetic than the gentleman who figured in Harriet Beecher Stowe's pages, only time can tell. My own opinion is that the bureaucratic Legree will be much harder to shift than the planter. At any rate, the Black Slaves were not responsible for their degradation; the White Slaves can blame no one but themselves for the conditions under which they labor.

LABOR IN BONDAGE

At last Mr. William Green of the American Federation of Labor is conscious that a grave danger threatens

labor and capital. He has come to the conclusion that "labor and capital have a common cause to protect against autocratic usurpation of power over their destiny by governmental agencies." In making his protest, he is at least five years too late. It has taken him a long time to wake up. There were opportunities enough for him to protest against the inroads government was making on the freedom of labor and capital, such opportunities as the Wagner Act, the National Labor Relations Board Act, and other measures, such as N. R. A., but he let them pass. Now he is in a state of perturbation as to the future, and well he may be! His warning to labor and capital to "guard against a fettering of freedom even when friendly hands offer a kind bondage" comes much too late to have any political effect. The damage is done, but it is all to the good that Mr. Green at last realizes labor is in for bondage.

It is to be hoped that both Mr. Green and Mr. Lewis will realize, now, that it is not capital which grinds the faces of the poor, but that it is government. The paper fabrics set up by capitalistic institutions may be the cause of many financial evils, as we well know; but they cannot be compared in any way with such a structure as our national debt. It must be recognized that under such a system as this, which enslaves us today, every attempted correction of an abuse, such as giving relief to the needy and squandering money on unproductive schemes, reduces the purchasing power of wage and adds, at the same time, to the pyramid of debt. It makes the parasite, whether he be a bureaucrat or an unemployed man, the very factor which makes things worse, because such persons add nothing to the fund of wealth. They take from it and render nothing of value in return. It may seem an extraordinary para-

dox to the thoughtless that in giving an unemployed man a meal, the government is engaged in the process of grinding the faces of the poor; but it is so! And these things must be. It is sad to think that economic law should be so cruel, but there it is. That is the way economic law works; and for any body of men, whether they be politicians or university professors, or even both in conclave, to think they can for long, controvert, obstruct or mitigate the workings of economic law is to indulge in fancies such as those which infect the minds of people who inhabit padded cells.