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TAXATION WITHOUT LIMITATION: TWENTIETH CENTURY TYRANNY

BY FRANK E. PACKARD *

MOST American people believe in the great movement afoot to amend the Constitution of the United States so as to limit federal income tax rates to twenty-five per cent in peace time. They are not against the federal income tax in principle, but they are against the excessive and confiscatory rates at which the federal income tax has been set by the Congress. So the quarrel is not with the tax itself, but with the rates at which the tax is levied. Something is drastically wrong with the stewardship of our federal government with the federal income tax reaching a rate of ninety per cent on top individual income. Even in Russia the highest individual income tax rate is only thirteen per cent. In discussing the federal income tax, the American Peoples Encyclopedia in the entry entitled "Income Tax" in volume ten states that: "Actually, however, the income tax is considered by most leading economists to be one of the fairest types of taxation. Many of its faults have perhaps arisen from the rates established." Perhaps the argument against astronomical tax rates was best summed up by Pope Pius who on October 3, 1956, declared that: ". . . onerous taxes depress private initiative, hindering the development of industry and commerce."

The day after the pronouncement by the Pope in Rome there was a timely quotation of John Marshall's prophetic statement in *McCulloch v. Maryland*—"The power to tax involves the power to destroy"—made by a federal judge in Chicago. Judge Joseph Sam Perry said to a once prominent and prosperous attorney: "Ten years ago, you were a well-to-do man. Now you are without means because of the debts you incurred in paying off your taxes, and you have lost your law practice. This is a strong reminder that 'the power to tax is the power to destroy'."

The principal reason why federal income tax rates have risen over the years to their present dazzling heights has been the profligate spending by the federal government far and beyond its income. The profligate spending has incurred a national debt of staggering proportions which threatens to bankrupt the future of the American economy with catastrophic inflation and depression.

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The reason why it was possible for federal income tax rates to reach such dazzling heights is that the Congress tapped this most fertile field of revenue before the state legislatures did so. Consequently, when the states followed the example of the federal government in taxing individual incomes there was only so much left in the taxpayers' pockets to be picked.

An article by Henry Hazlitt published in the June 4, 1956 issue of *News-Week* magazine and reprinted in condensed form in the October, 1956, issue of *Reader's Digest* states that: "It has been estimated that if the top progressive income tax rate stopped at 50 per cent (instead of going on to 91 per cent as at present) the revenue loss would be only 1.2 billion dollars. On various estimates, in fact if progression above the basic rates of 20 per cent were totally abolished, the annual revenue yield would be only 4.7 to 5.8 billion dollars less than now. But this approximates what the Government is asking for foreign aid alone in the next fiscal year. In any case, anyone who is now paying a top income tax rate of more than 22 per cent can consider that virtually all the excess goes for foreign aid. It need hardly be pointed out that if the top rate stopped at 20 per cent, the result would be to give an enormous impetus at home to incentive, saving and investment, production and jobs."