

THE STATE OF THE UNION

BY ALBERT JAY NOCK

Who Will Pay the Bill?

THERE are signs that our glorious political summer is over, and that the winter of our discontent is here. In other words, the bills are beginning to come in. The dance has lagged, and the piper is passing the hat. People have suddenly become aware of several things that they should have foreseen three years ago. First, that the lunatic gyrations of the New Deal have run into money, and must be paid for. Second, that there is nowhere for the money to come from but out of taxes. These are important lessons. We seem to have been going on the assumption that the wizardry at Washington and in our state capitals either costs nothing or can be paid for with some kind of stage money; but it now appears that this is not so.

Presently we shall discover another disconcerting fact, which is that just as there is nowhere for the money to come from but out of taxes, so there is nowhere for the taxes to come from but out of production. People get money to pay taxes by producing and exchanging goods or services; there is no other way. This process is what we describe by the general term "business". People can get tax-money only by doing business. Now, obviously, there is a limit to the weight of taxation that business will stand, because if taxes eat up so much of the income of business as to make it not worth while to go on, production stops, and the economic structure of the nation breaks down, as it did at Rome in the third century. Therefore the fourth dis-

covery which we are on our way to making is whether the load of American taxation has reached that point, and if not, how far off that point it is.

Facing these four facts is disagreeable, but there they are. The morning after the night before is always a bad time, but it always comes, and there is not much to be done about it; so let us look around a little and see if we can make out where we are. According to a report made to the Merchants' Association of New York, the federal government collected sixty-seven different taxes last year, by 131 separate levies. The total sum came to \$3,299,435,572, of which nearly half represented indirect or concealed taxes—concealed not only in the price of commodities that can be classified as luxury products, like gasoline, tobacco, perfumes, and cosmetics, but also in the price of such necessities as sugar, cotton, wheat, pork, matches, soap, and certain drugs. The report observes that no one, not even the poorest of those now living on Relief funds, can escape the incidence of at least eight federal taxes; while more than thirty taxes are imposed on every wage-earner in the income-tax group. As an instance of multiple or cumulative taxation, where levies are piled on top of levies, the report states that the tax on spirits, wine, and beer is imposed in nineteen different forms. Yet notwithstanding all this, the federal government is running so far ahead of its income that Treasury figures forecast a deficit of five billion dollars in 1937, and an increase in the national

debt which will bring it to a total of \$36,000,000,000.

So much for that. Turning now to the record of the State of New York, we find that the president of the State Economic Council has declared that although twenty-two different kinds of state taxes were in force last year, they came short by \$97,000,000 in meeting the state's expenditures. Since 1907, these expenditures have risen from \$32,000,000 to \$311,000,000; while in the same period the state debt has risen from \$12,000,000 to more than \$677,000,000. Meanwhile, the state's municipalities have acquired an aggregate debt of \$3,200,000,000, and some of them are in very bad financial shape. In one of these municipalities, the largest one, New York City, the politicians have actually got down to the level of filching pennies from its citizens by a niggling little sales tax. One would hardly have expected our grandchildren to live long enough to see anything like that.

These few figures give a suggestion of the weight which the aggregate of local, state, and federal debt puts on production — because, I repeat, all these debts must be met out of taxes, and taxes must come out of production. The question therefore arises whether production can carry the load. If it can not, then clearly the United States is no longer a going concern. Some think it can not. The New York State Chamber of Commerce, evidently impressed by the sight of banks stuffed full of federal bonds that no one will buy, gave warning two months ago that something has to be done very quickly to avert such an impairment of the national credit as will bring about a financial collapse; and as long ago as last October a lawyer of my acquaintance who manages large estates replied austerely to a suggestion that he should put some of a client's money

into government bonds: "It has always been my fixed policy never to invest in the securities of an insolvent corporation."

Some, however, think the situation can be tided over by confiscatory taxation on large incomes and accumulations of wealth, a policy commonly known as Soaking the Rich. Those who have this idea base it on the theory that taxation should be measured by the ability to pay, which is the most unjust, unsound, and anti-social theory of taxation ever devised. But aside from this, as every collectivist is well and truly aware, soaking the rich is the surest way, under our present economic system, to knock production into a cocked hat. Moreover, the rich have not that much money — nowhere near that much. As the report to the New York State Chamber of Commerce observes, if the whole income of those who in 1934 earned a net of \$6000 or more were confiscated outright, it would not meet the federal deficit; and it must be remembered that it is the same persons who on this theory must also be soaked for state and local deficits.

Others, again, think that if these debts are safely passed on to posterity, production will take care of them in time. So it may; yet certain factors enter into the case which this view does not take into account — for instance, the voracity of politicians. There is no reason to suppose that any future batch of these gentry will be more eager to see good money go to pay debts than those who are with us now. They will prefer to apply it to their own purposes; otherwise why should they be politicians? The principle which ex-Senator Smoot formulated, and which has been ironically termed "Smoot's law of government", should not be lost sight of in this connection. It is that "the cost of government tends to increase annually, no matter which party is in power". A pro-

gram of retrenchment sufficient to vacate this principle even temporarily is hardly to be counted upon. Nor is it certain that production will hold up to a degree necessary to carry our national credit over the interim; and it is still more uncertain that with an increasing perspective on the kind of conduct which has involved us in these obligations, posterity will regard them as casually as we do. It may; but the chance that it will is not so overwhelming as to amount to certainty, or anything like it, especially in view of the probability that incomes between \$1000 and \$5000, or less, will do the actual paying.

As a rule, hopeful persons who believe that we are still solvent, that things are not so black as they are painted, and that our public accounts will somehow get themselves straightened out in the long run — such persons, I say, as a rule take a rather shallow view of the causes at work in the situation. They think that now the only thing necessary, or at least the main thing, is to beat Roosevelt, just as four years ago the main thing was to beat Hoover. But this does not get us much. Beat Mr. Roosevelt, by all means, but what shall we get by it? When we beat Mr. Hoover, what we needed was a policy of strict economy, retrenchment, and reform, and did we get it? Not so that any one would notice it. More than ever we need that policy now, and shall we get it by beating Mr. Roosevelt? I believe some modern men of science do not flatly deny that miracles sometimes happen, but if this one happened it would settle that long-disputed question forever.

There are cogent reasons why it will not happen. Some of them will occur at once to anybody, and they are competent enough as far as they go, but they do not go far. Among those that reach nearer the root of the matter there is one that I wish

to mention, both because it accounts for so much and because I believe it is seldom thought of. I refer to the utterly useless and preposterous overbuilding of our political structure.

Look at it. First we have a highly-centralized federal unit giving berths to an enormous number of employees, I do not know how many; the last statement I saw put the figure at 815,000, which is probably not far wrong. Then within the federal unit we have forty-eight subsidiary units, each with a full political apparatus and personnel, executive, legislative, and judicial. Then within each of these units we have any number of counties, each with a political apparatus of its own; and within each county we have a mess of townships, boroughs, school-districts, villages, municipalities, wards, each with some kind of political organization. Thus a citizen may live, and quite regularly does live, under six or seven overlapping political jurisdictions, most of which have power to tax him.

This seems stupid and useless enough, but what I wish to point out is the viciousness of the thing. This arrangement opens innumerable opportunities for people who are good for nothing else to go into politics for a livelihood. Under it, every country cross-road offers a chance for some worthless fellow to prey upon production, and, as we see, every one of these overlapping political units can show its quota of predatory local politicians. Moreover, in order to keep a grip on his job, whatever it is, or to get a better one — to boost himself from ward-leadership to a mayoralty, from the lower house of Congress to the upper, or from wherever he is to wherever he wants to go — he forms around him a sort of junta, made up chiefly of people as worthless as himself, but to some degree gifted, like himself, with the peculiar type

of low sagacity, the instinct for the main chance, which is the principal element that makes for success in the politics of a modern republic. He is bound to this junta by various obligations of *quid pro quo*; he has to "look after the boys", and accommodate himself to their interests and desires, and particularly to their several designs upon the public purse. For his purposes, too, the larger the junta the better, and therefore its tendency is to grow; and as it grows in size, it grows also in power, and as it grows in power, its field for the exercise of unscrupulousness becomes larger and richer. The patronage-junta of the White House is simply an enlarged replica of Tammany's junta; and Tammany's junta is an enlarged replica of the junta surrounding every congressman, sheriff, and alderman in the land.

Thus the overbuilding of our political structure invites unconscionable swarms of vermin to nest in it and eat out our substance. In view of this fact, my impression is that unless and until that overbuilding is reduced—and we all know that this is impossible—Smoot's law will hold, and our public finances will be in little better shape than they are. Beating Roosevelt, while no doubt commendable, is not enough to encourage a great rise of hopefulness. It rather reminds one of our old-style crusades to drive streetwalkers out of town; they could be driven out, and were, but the trouble was always that their place was almost immediately taken by others precisely like them, and so in the end the crusade broke down. As long as our political accommodations are so exclusively and elaborately designed for one type of inhabitant, it seems vain to expect any other to occupy them.

Yet the uselessness of all this overbuilding must be as apparent as its viciousness. If we are to have a federal government as

highly centralized as ours is now, why keep up a complete political apparatus in the forty-eight major components? I notice that some one has already proposed to do away with their political character, and merge them into ten "economic" provinces; but why not rather let their present boundaries remain as an agreeable concession to local sentiment, like the old French provinces, and also as a convenience in addressing letters? On the other hand, if we are to decentralize into an actual federation of sovereign states, why keep up such an expensive establishment at Washington when the Senate Office Building would amply house every legitimate activity of such a federation? We are bound to be either one thing or the other—we can not be both—so why not cut the coat of our political apparatus by our actual cloth?

Again, what earthly use are counties, except to support jobholders? I know of none. I can understand the use of townships and city wards under a system like the one contemplated by Mr. Jefferson, which proposes to lodge all sovereignty exclusively in these units; but under any other system they seem wholly useless except, again, for maintaining a set of beings who might well be cast adrift. Also, why keep up an apparatus of partisan political government in a municipality? Some of our cities have in fact already discarded it, and from all one hears no great benefits seem to have been lost to the non-jobholding public.

Probably it is not necessary to say that I am not offering these observations as serious proposals, or expecting that they will be taken as such by any one. Vermin do not evict themselves, but on the contrary, they dig in and breed; and the matters I have been discussing are in the hands of those whom the structural changes I

have mentioned would dispossess, which is the best of reasons why these changes will not be effected, and why any serious discussion of them at all would be mere futility.

All I have been attempting to do is to assemble a certain amount of evidence—

by no means complete, but I think enough — that the country's financial condition is not to be regarded superficially, and that those who count on its improvement by the usual course of superficial or symptomatic treatment stand a fair chance of being disappointed.



THE BIRDS

BY REUEL DENNEY

I CAN imagine when the grass has grown
Between the switches in the cut beside the mill
And the slag is covered with the mullein and the
Hook of the crane feeds rust to the griping vine,

All over the sky the smoke no longer travels,
The seasonal flocks that dot the evenings
Will soar the winds with similar compulsions
As press them now, buoyed on still changeless wings.

But circling not remembering, those fliers that descend
Out of a cloudy sky will hardly know the difference
Between a house that's new and a house that's ruinous,
Since all a bird needs at the last is a perch out of the wind.

When the couplings are cracked, when the wheel is finally stalled,
When cylinders are corroded in their grooves and wires fall,
And boxcars rot and the factory walls break inward
And the trees walk back and make the squares a mall,

The eagle will take the smokestack and the wren the eaves
And the hummingbirds will fly the foundry's galleries
And at the entrance of the shaft will be the swift.
The robins will nest everywhere where now there are no trees.

I can imagine when men under the wheel and the drivewheel
Have gone at last with touch no longer magical,
City emptied of us whose trains no longer run,
The sky will be darkened by those wings that are automatic and unintellectual.