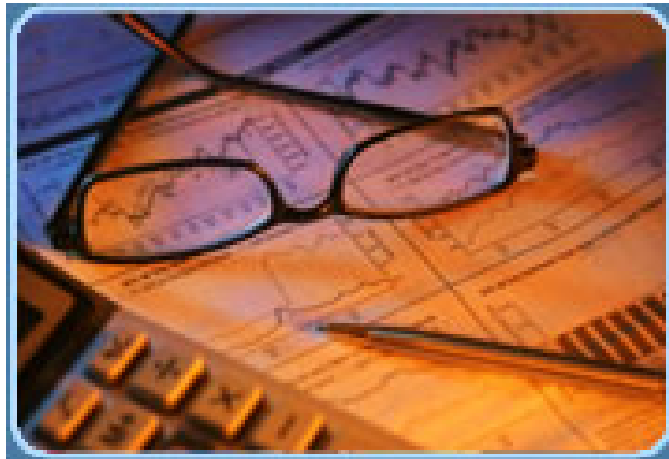


TAX MANAGEMENT



LESSONS FROM HISTORY

Lessons From History



Taxes are as old as recorded history. They are mentioned in ancient Sumer around 3,000 B.C. Tithing, the practice of pledging ten percent of one's wealth, was commonly practice among ancient peoples and still is used today by some religious groups in the United States.

Rome collapsed when taxation reached fifty-two percent and when taxes imposed on the colonies reached twenty-three percent, that was considered excessive enough to start a revolution with Britain.

It is interesting that prior to 1862, the federal government was supported by revenue from import duties and proceeds from the sale of public lands. It was only in 1862 that the Bureau of Internal Revenue, income and other internal revenue taxes were all established in order to finance the Union in its war against the South. After the Civil War the activities of the Internal Revenue Service (IRS) declined dramatically only to emerge again in full force after the passage of the Sixteenth Amendment in 1913. The Sixteenth Amendment, authorizing our present income tax, effectively canceled Article I Section 9 Paragraph 4 of our original Constitution. The drafters of the United States Constitution knew full well what they were doing when they expressly forbade taxation on an individual's income. "The power to tax is the power to destroy." is a quotation that rings as true today as it did in the 18th century.

PROGRESSIVE OR GRADUATED TAX

The progressive tax embodies the idea that people with higher incomes should bear relatively more of the country's tax burden. In fact, I recall reading that it is a long-standing principle that a person should be taxed on his ability to pay. Apparently the writer believed this statement fell into the category of facts beyond dispute such as *babies should be loved* and *redwoods saved*. Upon reading the statement I remember thinking it had been around about as long as Marx and Lenin. Perhaps a less disputable fact in America might be the concept of private property and freedom. Being required to give half of the fruits of your labor to government so that it in turn might distribute it to others less productive, energetic, willing to take risks, lucky, fortunate or *less anything*, is an effective means of communizing a society. Folks in 2009 shrink in horror from the word *socialism* whereas *communism*—a word which

represents an ideal society—is never mentioned. Perhaps because in recent history it was tested and now poses no threat.

The progressive tax punishes human effort. High bracket tax payers do strange and often non-productive things (like digging dry holes) in an effort to reduce their tax bite. Although attorneys and accountants and fast talking promoters may benefit, the government ends up collecting fewer dollars and society suffers because of the misallocation of capital. Our gross national product is less, thanks to tax distortions. Many Americans feel pressured to make their investment decisions on the basis of complex tax calculations rather than on the economic merits of the particular situation. We are faced with the ludicrous situation where our tax law dictates how our economy operates.

WHO OWNS WHAT?



Politicians are frequently quoted as bemoaning the fact that any reduction in taxes will *cost the government, the government will lose*. The implication is, of course, that the government owns or at least has a right to everything it can rationalize. The IRS graciously allows certain deductions as we have seen, but only if taxpayers can show that they fit into one of the loopholes written into the tax code that the lowest and middle class taxpayers seldom read. The principle being not that the money is yours and may we have some please, but rather that your earnings belong to the government and the burden is on you to prove what you are entitled to keep.

Where and when did this thinking originate?

In 1928 government at all levels spent less than ten percent of the gross national product. Two-thirds was spent at the state and local level which meant that less than three percent of the national income was spent by the federal government in 1928. Almost fifty years later, in 1977, total government spending had risen to forty percent of the gross national product and two-thirds was federal spending. Out of every dollar a citizen spent in 1977 the federal government controlled forty percent of it.

Million Friedman, the notable prize winning economist, has pointed to the 19th century as being one of the most productive periods in history. Productive, not just for the robber barons, but productive for the common man. Illiterate immigrants were received into this country in

droves and progressed at a rate that would make a person's head spin today. They were able to improve their condition and that of the nation because they were limited only by their own imagination and endurance; the United States was still a free society. Of course, there was poverty and misery but it was more easily endured because it went hand in hand with hope and opportunity. Even if an immigrant working on the railroad or in the sweatshops realized he might not obtain the riches of a robber baron, he felt one day his children might. The dream was fresh, sweet and motivating. During this time in her history, America came closer than ever before or after to embracing the free enterprise system.

Forbes Magazine, in its Thoughts on the Business of Life, quoted the much maligned Herbert Hoover:

It has been dinned into us that this is the Century of the Common Man. The idea seems to be that the Common Man has come into his own at last. But I have never been able to find out who this is. In fact, most Americans will get mad and fight if you try calling them common I have never met a father and mother who did not want their children to grow up to be uncommon men and women. May it always be so. For the future of America rests not in mediocrity, but in the constant renewal of leadership in every phase of our national life.

FREE ENTERPRISE VS. SOCIALISM

Free enterprise implies freedom to establish an enterprise. It is the antithesis to the myriad of fees, regulations and certifications a person has to go through today to engage in business.

Some people support socialism, figuring that if widgets are going to be manufactured or gidgets produced why shouldn't the government reap the benefits (profits) rather than a private entrepreneur? The answer: The entrepreneur has to satisfy his customers and the government doesn't, a fact which former Soviet citizens can verify. Quality is one of the main differences between forced and voluntary exchange; the other is efficiency. In 1982 it was reported that federal workers had salaries 35½ percent higher than workers in the private sector. It is estimated that anywhere from 150,000 to 400,000 federal jobs could be taken over by private enterprise. However, the vote of federal employees is important to every politician and certainly none want to be blamed for taking away federal employee jobs.

Our government's honest attempt to provide for the "general welfare" (Article I Sec. 8 U.S. Constitution) had an unintended consequence which led to the ridiculous situation where not working, while not being as lucrative as having a federal job, has been more profitable than working in the private sector.

It is certainly no incentive to work when it's possible to get the same income form transfer payments that a worker who pays taxes must earn. There have been cases where a wage earner has been penalized by paying taxes on his earnings rather than sitting back and receiving the identical amount through government auspices.

Even if transfer payments, such as unemployment compensation, pensions and disability payments for instance, were taxed, the truly poor wouldn't be touched because they would remain below the cut off point which requires taxation anyway. But taxing unemployment compensation if your total income exceeds a set amount is not a new or considered to be radical idea.

Another unintended consequence: A retired lady consulted an investment adviser in our area because she had \$200,000 in a money market fund coming due and didn't want to put it any place that would give her interest because that would raise her income and make her responsible for more taxes. She didn't need more income because she was already living comfortably on her husband's pension and social security.

About half of all government transfers come in the form of social security pension payments. Because the capital has not been properly invested, as in a qualified pension plan, to refer to social security as a pension at all is a farce, but one which the government perpetuates. Exempting contributions and taxing benefits (unpopular) would show some consistency with private pension plans.

CORPORATIONS



Legislated and directed tax reductions intentionally and unintentionally shift capital within the corporate sector by providing tax breaks for investments that would otherwise be insufficiently profitable to attract investors. This is a way of subsidizing inefficiency. Even worse is the fact that unwarranted expansion and conglomeration are the natural results of corporate retention of earnings. With so much capital staying within the organization instead of being returned to the investors as taxable dividends, corporations start to behave like investment trusts; themselves buying investments and planning mergers. Additionally, the government fails to receive revenue from the dividends that aren't issued and instead has to be content with receiving half the tax revenue at a later date in the form of an individual's capital gains. Since interest payments are deductible, corporations are encouraged to borrow to obtain capital as opposed to selling stock on which nondeductible dividends must be paid. Since it is easier under our present tax system, to shelter investment income from high tax rates than it is to shelter salary income, we get the phenomena of people with the highest income actually paying less taxes than many middle class salaried workers. It is really the people who consider themselves egalitarians who should be behind the idea of repealing the corporate tax

because it has been shown that the wealthy pay less tax under existing law than they would if corporate taxes were integrated into the personal tax.

CORPORATE TAXES

On January 26, 1983, Ronald Regain was quoted in Boston as saying he wished to abolish the corporate income tax. The media immediately made him a laughing stock. After all, over \$58 billion dollars was annually pumped into the treasury making up nine percent of all federal tax receipts in 1983. The president pointed out the not-so-earthshaking fact that corporations are owned by people who would continue to pay the tax as individual investors at rates that might well be less than the maximum corporate tax rate and would therefore achieve savings.

The following is a quotation from the *Wall Street Journal's* report of President Reagan's infamous "Boston Remarks" the end of January 1983 as reported by Rich Jaroslavsky:

"White House officials, reacting to the potential for political damage, scrambled to play down the significance of the president's comments."

When I was in grammar school Harry Truman was President and I remember no one particularly liking him everyone criticizing and yet admiring him at the same time. I remember hearing over and over, "Well, by G-d, he has guts!" Because he stood behind his beliefs, the country seemed to stand behind him. I don't know if he could or would have been allowed to take stands today with public relations men and pollsters weighing the effect of every word and trying to clean it up for public consumption so that no one is offended. Putting a politician in the best light is not necessarily putting him in a true light.

We all hope that President Barak Obama is another Truman who will stand behind his promise to make his Administration transparent. I believe what Americans want more than anything else in 2009 is to trust our government to once again tell us the truth.

Tax-exempt institutions pay corporate taxes indirectly through their investments in profit making businesses and would also benefit if taxes were not first paid by the corporation as a distinct entity. I have the following quotation in large letters on my office wall: "When are we all going to have the courage to point out that in our tax structure the corporate tax is very hard to justify?"

Where is the justice in first levying a forty-six percent tax on corporate profits and then on top of that, taxing individual dividends? This is a blatant example of double taxation and Americans are just taking it on the chin. Most politicians try and make you forget that corporations are made up of millions of small shareholders. There's a good chance you are one of them, if not directly then indirectly through your mutual or insurance fund, labor union pension funds or other retirement accounts or relationship with a large tax-free institution (deduction, medical or religious) whose endowment may look like it is invested tax-free but who in reality is paying the forty-six percent corporate tax before they ever get hold of their supposedly tax-free dividends.

President Reagan didn't expect the government to give up revenue by abolishing the corporate tax, he thought instead there would be a net gain all the way around. Former Secretary of the Treasury, William Simon, championed the merits of abolishing the corporate tax way back in 1975. Jimmy Carter even jumped on the bandwagon for a while.

A.F. Ehrbar, in an article he wrote for *Fortune* magazine some years ago, pointed out the merits of abolishing corporate taxes. If corporations were taxed like partnerships, each shareholder bearing his share of the tax burden on a pro-rated share of the earnings, the corporation as a separate entity would be free from taxation and society as a whole would benefit. Part of the present corporate tax burden is passed on to consumers and acts like an "erratic sales tax that falls unevenly on different goods and distorts the output mix." Shareholders respond to their share of the present double taxation by investing in non-corporate areas with lower value to society but better after-tax consequences to individuals. This is a prime example of the distortions our present tax system causes.

Ehrbar suggested that corporate profits should be ignored because reported earnings weren't actually income and tax should fall only on the dividends and capital gains of individual shareholders. He adds, however, that such an idea is a political impossibility because "the loophole baiters would never be able to resist screaming about all those reported profits that were not being taxed at all."

CAPITAL GAINS



Ronald Reagan wanted to lower capital gains rates because he said history shows with each reduction in the rate the government has actually increased its revenues because capital gains investment and sales become so much more attractive.

The proposal to halve the long-term capital gains period to six months from its present one year holding period was attempted in both 1981 and 1982. The rationale behind the move was that capital is presently locked into assets longer than would be justified on a pure investment basis. There have been many changes in the capital gains holding period over the years. From 1922 to 1933 the holding period was two years. In the three year period from 1934 to 1937 it

was changed four times ranging from one to ten years. From 1938 to 1941 there were two periods; eighteen months and two years. The six month holding period was the norm for thirty-six years between 1942 and 1976 when the tax Reform Act lengthened the holding period in stage beginning in 1977 to nine months to one year in 1978 where it has remained in spite of efforts to shorten it again. In 1978 there was a significant cut in the capital gains tax from forty-nine to twenty-eight percent and in 1981 down to the present twenty percent. When the capital gains tax was reduced, tax revenues on capital gains increased as supporters of the reduction had promised.

INDEXING--COST OF LIVING ADJUSTMENTS

Over two centuries ago indexing was referred to as tabular standard. The idea dates back at least to 1707 when it was developed in response to ethical and moral needs. Please don't question what ethics and morality has to do with the economy—not after 2008! If the purchasing power of a person due to receive money in the future were eroded because of higher prices over time (inflation) the unwary would be cheated.

In the 1980s U.S. Savings Bonds betrayed a trusting public. The purchasing power at maturity was less than when the bond was bought at a discount years earlier. That's because the cost of living doubled between 1972 and 1980.

Indexing became law in 1981, effective October 1985. Indexing adjusts tax brackets to offset inflation. Without indexing, even though purchasing power remains the same, higher nominal incomes move citizens into higher tax brackets. With indexing, the government was denied a revenue windfall. Taxes weren't raised (always unpopular with the voters) by the legislators because inflation automatically raised them by carrying the taxpayer into higher and higher brackets. The taxpayers' tax burdens increased at a faster clip than did their income. The Constitution gave Congress the power to tax but that power has been delegated to inflation and must be taken back by indexing.

Indexing rescued the low and middle income taxpayer but did nothing for those already in the highest brackets. It's ironic and misleading that the same groups that continually cry out for compassion for the poor were against indexing.

C. Northcote Parkinson in his book, *The Law and the Profits*, formulated a law which states: "Expenditure rises to meet the income." In a speech before the *Commonwealth Club* in San Francisco, California, in the spring of 1983, Milton Friedman expanded the law as it applies to the federal government to read: "Expenditure rises to exceed the income."

Rather than cut expenditures, many legislators demanded 265 billion in new revenues 1984 through 1988. It's business as usual: cutting expenditures didn't have much of a role in the bailouts planned for 2009. The 1983 proposal included raising revenue by repealing the third stage of the Reagan tax cut and repealing indexing which by itself would have raised \$90 billion dollars assuming less than a five percent inflation rate. The third year tax cut amounts to forty percent of the entire tax relief package on an income of \$25,000 but only five percent on an income of \$200,000. Again, who would be hurt the most by such actions?

The argument for killing indexing was quite simple: the government needed the money. That answer should be kept in mind in predicting what will be on the agenda in 2009 and succeeding years.

It is a dangerous assumption and one natural to a socialist government not a democratic republic such as ours, that as taxes continue to increase ever higher and higher, citizens will continue happily working as hard and productively as ever turning over a larger and larger share of their income to government. The idea that an economic slowdown could result form an increasing tax burden is one too many of our politicians refuse to entertain.

To convince them I urge you to use these historical facts: When taxes dropped from a high of seventy to fifty percent for top income brackets, the *revenue increased* from 77 billion to 85 billion dollars. This only proves the point that the lower the price the more you sell of anything—even taxes. Indexing would not be needed if there were no inflation. Indexing removes one incentive for government to inflate but debt provides another incentive Government and all borrowers are able to pay off debt with cheaper dollars. Inflation dilutes the currency.

TAX REFORM

In the middle of January 1983, President Reagan made it clear he wanted to overhaul the nation's complicated tax system in order to make it easier for people to understand. This has been a goal of every president in memory. Because only the wealthy can afford the lawyers and accountants needed to figure out the current complex tax code there is a strong bias against the middle and lower income taxpayer. Reform is needed when the average citizen is no longer able to effectively handle his own affairs but the high bracket taxpayer is given an edge. He can enlist professional advice to help him beat the system.

FAIR



The goal of tax reform is to achieve fairness and simplicity. The first hurdle to scale is the philosophical differences between those that believe this can be achieved by a tax that treats all citizens the same i.e. in an equal manner. The progressive system of taxation we have now is justified by the belief that in an ideal society it is only right to collect from each according to his ability and redistribute to each according to his need.

SIMPLE

The second hurdle, would be a-piece-of-cake in the opinion of many, if the APT (Automated Payment On Financial Transactions Tax) was enacted. It is simplicity itself. The difficulty comes in selling it to Wall Street as well as all those whose livelihood depends on the complexity of our current system of taxation. The APT is the brain-child of University of Wisconsin Professor of Economics Edgar L. Feige.

The APT would replace both the personal and corporate income tax, all sales tax, excise taxes, capital gains, import and export duties, as well as gift and estate taxes. It is a tax of less than one percent levied on all financial transactions which would have little or no impact on productive financial transactions, as opposed to intense manipulative trading on the stock market. But best of all, it would do away with the IRS (every tax payer's dream) and would not need to be replaced by a new government bureaucracy. The APT is already automatically assessed and ready to be electronically collected via the current banking payment system. If that were not enough to commend it, the APT does away with the progressivity objection to all flat tax proposals. Because the wealthy engage in the majority of banking transactions and exchanges of real and personal property they would carry a disproportional burden of taxes.

Professor Feige claims the “automated recording of all APT tax payments by firms and individuals creates a degree of transparency and perceived fairness that induces greater tax compliance. Also, the tax has a lower administrative and compliance cost.”

I urge you to go to <http://www.apttax.com/aboutapt.php> and download a copy of the proposed APT and go back and leave feedback after you have read it. You will find links to other relevant web sites in the list of recommendations at the end of this workbook.

GOALS



Americans, collectively as well as individually must have goals. As a nation we have not rallied purposefully since World War II. In the meantime several nations have adopted well-defined ideologies which have made their people willing to accept sacrifices in order to attain new national goals.

They many not realize it but politicians are always followers not leaders of opinion. Perhaps the closest we have come to formulating national goals was way back in the 18th century

when our ancestors ratified the U.S. Constitution. Having discounted our legislators because of their dependence on pressure groups to make up their minds for them, it seems clear the courts then are the sculptors of our national goals. Societies from earliest time have encountered the same problems only in varying degrees and on different scales. Eskimos and certain American Indians are supposed to have dealt with the problem of advanced age by abandoning the elderly whereas the Oriental cultures honored, protected, served and revered those of advanced age and all ancestors. Human sacrifice, cannibalism, polygamy, euthanasia, torture, infanticide; all have been socially acceptable to groups of human beings at one time or another. Crusaders in the middle ages wreaked untold carnage in the name of universal truth to which the unenlightened were sacrifices. It is time to face the fact that it is man, although he may be divinely inspired, who decided what values a society will embrace. A case in point is home ownership; is it as desirable in the 1980s as it was in the 1940s or 50s? Should it be encouraged today and at what sacrifice? Is it a good in itself or would society do better to influence our younger generation towards condominiums and smaller more temporary shelter? Perhaps conservation of resources, safety, docility or other notions are more worthy of attainment. Tax legislation allows society to express its values by encouraging saving or investments in certain *desirable* areas. Funding abortions or exempting charitable or religious institutions is controversial because taxes collected from everybody are used to enhance the beliefs of some as against the beliefs of others. In fact, the incredible complexity of our tax system today has evolved as a response to support these special interests. Such complexity may no longer be socially acceptable.

When it comes to taxes, many groups similarly appeal to what they claim are indisputable truths; that the old, the young, the in between; are all *entitled* to this and this and this! By what authority? Because we are Americans and our courts over time have interpreted "the pursuit of happiness" as meaning the assurance thereof? The "general welfare" clause in our Constitution has come to encompass everything for everybody and there is conceivably nothing that is outside "interstate commerce" as the courts have interpreted the commerce clause over the past 233 years.

Up until Franklin Delano Roosevelt's second administration there was almost universal agreement that government's role in the lives of its citizens should be kept to a minimum. Adam Smith whose book, Wealth of Nations, had a profound effect on the framers of our Constitution, saw the ideal society as a place where voluntary cooperation among individuals flourishes and where each person is free to use his own abilities and resources as he chooses in accordance with his own beliefs so long as he does not interfere with the right of others to do likewise.

Milton Friedman has argued that the greatest danger to free enterprise lies with two groups. First the intellectuals who are in favor of freedom for themselves and against it for everyone else. The second is the business corporations who think everybody else should be free (independent) but are against it for themselves. Freedom for them would entail giving up tariffs, subsidies and special provisions in the tax code.

During the Reagan Administration the popular columnist, Ellen Goodman, expressed the view that everything is up to *Big Brother*. She discussed the *patience* of the unemployed which was

about to run out waiting for the President to rescue them. Here we are in 2009 once again impatiently waiting for a repetition of history

President Kennedy, when faced with what was in those days a whopping budget deficit of four billion and a six and a half percent unemployment rate, convinced a defiant Congress that a balanced budget could not be achieved by raising taxes. He discussed his fear that the big spenders would soon be off on another round and we'd end up with deficits all over ad infinitum, Kennedy instead cut income and corporate taxes and increased defense spending at the same time. It's strange that Ronald Reagan, who was often referred to as hard-nosed, stubborn and conservative, seemed to emulate both John Kennedy and Franklin Roosevelt whom the media continue to depict as two of our most compassionate and liberal presidents. In fact, it is surprising how much like Ronald Reagan Franklin Roosevelt sounded in a speech he gave on October 19, 1932:

If the nation is living within its income its credit is good. If in some crisis it lives beyond its income for a year or two it can usually borrow temporarily on reasonable terms. But if, like the spendthrift, it throws discretion to the winds, is willing to make no sacrifice at all in spending, extends its taxing up to the limit of the people's power to pay, and continues to pile up deficits, it is on the road to bankruptcy.

A deficit can be financed only by printing dollars which imposes the hidden tax of inflation (remember our earlier discussion of inflation; more dollars chasing the same amount of goods = inflation) or borrowing which removes needed funds from the private to the public sector, plus, of course, the additional cost of interest.

No election has ever been lost on the basis of inflation, but Hoover lost in 1932 and Nixon in 1960 on the basis of unemployment. The average citizen understands unemployment only too well and doesn't understand the ravages of inflation.

LIMITING GOVERNMENT SPENDING



An infinite number of worthwhile and desirable proposals are constantly submitted to Congress. With no limitations on the budget, the list of wants continues to expand. Limiting government to spending a set fraction of its income is more important than balancing the

budget. The public's appetite in this realm is insatiable and a constitutional amendment is the only way to limit that appetite or be consumed by it.

The Founding Fathers knew every issue should not be decided by a majority vote. For instance, if it were not for the First Amendment's guarantee of free speech, a majority would prevent the Nazis from voicing their opinions, or the Jews or the Baptists or people with red hair; essentially any group that could not muster a majority.

The First Amendment simply states that it is not the government's business to decide who can speak; it's a guaranteed right. Similarly, the idea behind the constitutional amendment to limit government spending is that the budget should not be left to legislators but that an amount of money determined by the people will be provided and within those confines the legislators will have to allocate dollars to the myriads of good programs clamoring for funding. It has been easy for them in the past to play the *good guy* and fund them all, but with whose money? Congressman Davey Crockett once asked that question when other members of Congress thought it appropriate to legislate money for a war widow. He reached his hand in his pocket and urged those lamenting the widows' situation to do the same since they had no authorization to contribute "the people's" money. If they have had enough, it is the people who must draw the line. If what we've been hearing lately in the media is any indication then a lot of citizens are ready to say along with Howard Beale in the old movie *Network*, "I'm mad as hell and I'm not going to take it anymore!"

WHO'S TO BLAME



We always ask who is responsible; Americans have an almost inordinate need to place blame. If there is an answer it must be: "The do-gooders." Why? Because they used other people's money (taxes), confiscated by force (law), as opposed to seeking voluntary contributors as non-government entities had done in earlier years. Some groups would claim, if the cause were worthwhile and aroused the compassion and support of enough people it would have flourished within the private sphere; witness the Red Cross, Salvation Army, Goodwill Industries and numerous other non-profit organizations. If there is not sufficient support from citizens, then perhaps the program shouldn't have been undertaken with government funds.

In this regard we already mentioned the foresight of our Founding Fathers in not making this nation "majority rule" where minority rights would be abridged. A case in point is legislation affecting orphan drugs. Our legislators decided minority diseases should have subsidized

research. Since not enough people would directly benefit from the research private companies would not find such research economic and it would not have been undertaken without government intervention in the form of subsidies. The appeal should have been made to the people via the independent sector—solicitations and matching funds from non-profits. Government has confiscated their role.

It is impossible to be as careful with someone else's money as you would be with your own. That is a fact that escapes *Do-Gooders*. Carelessness and waste are inevitable and that was acceptable at first because at the beginning there were more people to pay than there were those seeking help. It didn't take long, however, for the *needs* to mingle with the *wants* and as they both grew, more and more interest groups jumped on the bandwagon.

How do you wind down social programs? It is notoriously more difficult to cancel a program or delete a law than to enact a new one. It is easier to keep on a course of more government involvement but if we do we may well find ourselves in a financial crisis with the resultant loss of freedom that would imply. If a halt is called it will be motivated by disillusionment with Big Brother and government inefficiency.

The worksheet at the end of this workbook has a list of priorities. You may be surprised to discover just what you value most when it comes right down to it.

In order to recommend a course of action to achieve an objective, we must first know whether that course of action will in fact promote the objective. That the objective itself is desirable can only be determined by weighing the consequences of not winding down our worthwhile social programs. We just cannot afford any longer to indulge mindless rhetoric such as: "A rich country like the United States should be able to...." When I wrote this in 1983 this *rich* nation was one and a half trillion dollars in debt—the interest alone was 100 billion dollars per year. That was \$33,120,000 per day going out in interest. Or to put it another way: every man, woman and child in the United States owed \$60,000.

In September, 2008 the dollar sign on the National Debt Clock in New York was needed to record ten trillion dollars for the first time. By the end of 2008 the national debt had increased by another three hundred billion and the order was in for a new clock with two more spaces for digits. Even without the huge anticipated increase in the national debt due to more government financial bailouts, every family in America was burdened in 2008 with close to \$90,000 of that debt which has been figured at \$38,000 per person.

Over twenty years ago I was one of the members of the Platform Association meeting in DC that signed the documents that formed Peter W. Grace and Jack Anderson's *Citizens Against Government Waste*. In 1987 I wrote two books concerning the national deficit. On the cover of The American Deficit: Fulfillment of a Prophecy? I included a 1912 quotation from Lenin that I still hope we can avoid: "England will expand itself out of existence; Germany will militarize itself out of existence and America will spend itself out of existence."

As in every workbook, I do not propose solutions for you, I only hope to stimulate you to seek the answers for your sake and the sake of your children. If not you, who?

WORKSHEET

1. Number your priorities - 1-40

- _____ nicer home in better neighborhood
- _____ better automobile
- _____ boat
- _____ airplane
- _____ swimming pool
- _____ extra time and money for travel
- _____ private schooling for kids
- _____ more income
- _____ less taxes
- _____ more and better police protection
- _____ more and better fire protection
- _____ better libraries with longer hours
- _____ better public transportation
- _____ cheaper public transportation
- _____ more consumer protection
- _____ no more nations falling to communism
- _____ revival of free enterprise
- _____ communism to flourish
- _____ democracy to flourish
- _____ socialism to flourish
- _____ better public education for all
- _____ America to maintain #1 status as world leader
- _____ America to avoid war
- _____ clean air
- _____ forests and oceans protected
- _____ medical research with new breakthroughs
- _____ better health care
- _____ cheaper health care
- _____ no communist domination of America
- _____ no socialism in America
- _____ more efficient courts
- _____ better maintained roads, bridges, dams, etc.
- _____ more parks
- _____ more social services (child care, senior programs, etc.)
- _____ expanded space program
- _____ more children
- _____ freedom to worship
- _____ better prisons
- _____ less regulation by government
- _____ right to dissent -- picket, criticize, strike

Recommended Reading

DIFFERENT POINTS OF VIEW

You will be stimulated intellectually by reading any books by:

Ludwig von Mises
Friedrich A. Hayek
Milton Friedman
John Galbraith
Robert Heilbroner
William E. Simon
Ayn Rand

The Richest Man in Babylon, by George Clason
An Introduction to Economic Reasoning, by Robinson-Morton-Calderwood
The Capitalist Reader, edited by Lawrence Stepelevich
How Much More Equality Can We Afford? by Edgar Browning
Who Bears the Tax Burden? by Pechman and Okner
The World of Andrew Carnegie, by Louis Hacker
The Income Tax: Root of All Evil, by Frank Chodorov
Believing in America, by Bud Shuster
The Spirit of Democratic Capitalism, by Michael Novak
Revolt of the Haves, by Robert Kuttner
Half Way to Tax Reform, by Ruskay and Osserman
Minding America's Business, by Magaziner and Reich
Small is Beautiful, by E.F. Schumacher
Economics from the Heart, by Paul Samuelson
Human Option, by Norman Cousins
The Truth About Supply-Side Economics, by Michael Evans
Dangerous Currents, by Lester Thurow
Making America Work Again, by J. Morton Davis
Budgeting for America, by Congressional Quarterly, Inc.
The Next 200 Years, by Herman Kahn
The Golden Egg, by Gerald Carson

The Internet regarding the APT Tax

[The APT Tax](#)
[The Benefits of a Financial Transaction Tax](#)
[A Financial-Transaction Tax Is A Bad Idea](#)
[The Trouble with a Transaction Tax](#)
[Financial Transaction Tax—Good Idea or Bad?](#)