

For the year January 1–December 31, 1974, or other taxable year beginning \_\_\_\_\_, 1974, ending \_\_\_\_\_

Name (If joint return, give first names and initials of both)

Last name

COUNTY OF  
RESIDENCE

Present home address (Number and street, including apartment number, or rural route)

Forty Cents

**TAX OR TRIM****Why We Need****Tax Reform Immediately!****8 Presidential Election  
Campaign Fund . . .**Do you wish to designate \$1 of your taxes to this fund? . . . Yes ☒ No ☐  
If joint return, does your spouse wish to designate \$1? . . . Yes ☐ No ☐

Income	9	Wages, salaries, tips, and other employee compensation (See instructions on page 6) . . . . .	9
	10a	Dividends (on pages 6 and 13) \$ . . . . .	10c
	11	Interest income. [If \$400 or less, enter on line 11. If over \$400, enter on line 11 and list in Schedule B.] . . . . .	11
	12	Income other than wages, dividends, interest, and capital gains (from line 38) . . . . .	12
	13	Add lines 9, 10c, 11, and 12 . . . . .	13
	14	Subtract from line 13 the following amounts: (a) "moving expenses, etc. from line 43) . . . . .	14
	15	Line 14 from line 13 . . . . .	15

- If you have a tax liability under \$10,000, find tax in Tables and enter on line 15.
- If you have a tax liability of \$10,000 or more, go to line 44 to figure tax.
- CAUTION: If you are claiming a dependent on your parent's return, check here ☐ a

1-12	Tax Rate Schedule X, Y, or Z	16
	Schedule G <b>OR</b> Form 4726	17

17	18	19	20
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21a	21b	21c	21d
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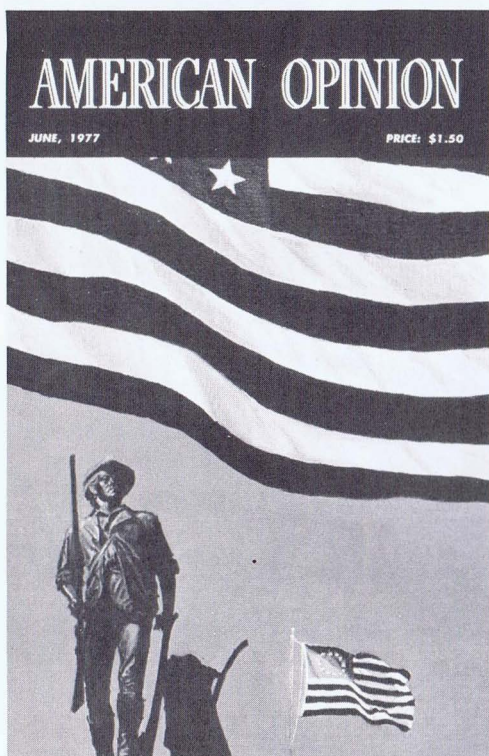
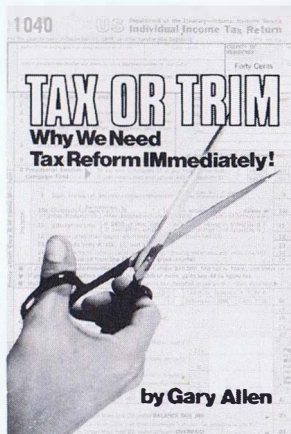
**by Gary Allen**



# About this article...

*Tax Or Trim: Why We Need Tax Reform Immediately* by Gary Allen, an alarming report on the incredible tax bite — and growing appetite — of the federal government, originally appeared in the January 1975 issue of *American Opinion* magazine.

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# TAX OR TRIM

## Why We Need Tax Reform Immediately

Gary Allen, a graduate of Stanford University, is the author of several best-selling books, including *Communist Revolution In The Streets*; *Nixon's Palace Guard*; *None Dare Call It Conspiracy*; and, *Richard Nixon: The Man Behind The Mask*, the definitive study of the ambition and conspiratorial activities of our recent President. Mr. Allen, a former instructor of history and English, is active in numerous humanitarian, anti-Communist, and business enterprises. A film writer, author, and journalist, he is a Contributing Editor to AMERICAN OPINION.

■ IT WAS of course a politician who defined taxation as the art of plucking a goose to secure the maximum amount of feathers with the minimum amount of squawking. And make no mistake about it, Mr. and Mrs. Taxpayer, it is you who are being plucked.

Consider the fantastic increase in the federal Budget over the last seventy-five years. In 1900, with a population of seventy-six million people, our total federal expenditure was only \$525 million. This was a per capita cost of but \$6.90 per year. Imagine paying for the cost of federal government with less than the price of a steak dinner. Yet, by Fiscal 1975, federal expenditures will be well over three hundred billion dollars, at a cost of more than fifteen hundred dollars for every man, woman, and child in America. Total tax spending last year, at all levels, was \$396 billion, up forty-three billion dollars from the previous year. That is \$1,881 in taxes from every American citizen, and it has jumped two hundred dollars a year in each of the last three years.

Little wonder that a recent Gallup Poll indicates that a majority of Americans believe they are being taxed to the breaking point. A nearly naked goose is beginning to squawk.

Most Americans are shocked when reminded that until the Civil War the legitimate functions of the federal government, stipulated in the Constitution, were financed exclusively by excise taxes and tariffs, with property taxes being levied by local communities to meet their needs. Although an income tax had been enacted in 1862 as a temporary wartime measure, it was never tested in the courts. Americans were generally aware that a graduated tax on incomes was being pushed by radicals and conspirators in Europe as a means of preventing the accumulation of capital. Few favored importing any such alien scheme to America. But, under pressure from the Greenback-Labor Party and the newly formed Populist Party, Congress passed the Tariff Act of 1894, which established a two percent tax on incomes. The validity of the tax was attacked almost immediately by a man named Charles Pollack. In 1895, the Supreme Court ruled the tax unconstitutional in the famous case of *Pollack vs. Farmers Loan and Trust Company*.

### The Conspiracy Factor

The arrival of the Twentieth Century brought with it further demands for an income tax to be tied to a system of central banking, which was like the income tax a tenet of the *Communist Manifesto*. It soon became apparent that powerful forces in the American Estab-



lishment were also using the Marxian dialectic of thesis and antithesis. Out of the contrived clash between the Populists and the "Robber Barons" would come a new economic program in which a handful of conspiring *Insiders* would at once gain control over the American money system and access to the purse of every citizen.

The grab for control of the money system thus involved two lines of attack. One sought a central bank — the Federal Reserve System — which would be the engine by which the government could go billions upon billions in debt with unbalanced Budgets financed by bonds from the banking *Insiders*. The other line sought an income tax so that the government could raise the money for paying perpetual interest on the National Debt to these same *Insiders*. The game was to turn the citizens into tax slaves, and the plan included a convenient mechanism by which the Establishment *Insiders* could themselves avoid the taxes they were preparing to lay upon everyone else.

By the turn of the century, great changes were taking place in American life. Business expansion, fueled by accumulation of capital and major technological breakthroughs, was changing America from an agricultural society to an industrial one. Fantastic economic power was being held in America by representatives of Europe's international bankers. Foremost among these was J.P. Morgan, whose interests were to unite with those of John D. Rockefeller, the Warburgs, and others in a conspiracy to stifle competition and expand their authority over our people and economy. The plans of these *Insiders* would permit them to establish monopolies by using the government against their competitors in the interest of absolute power. To do this they developed a scheme whereby the Morgan-Rockefeller clique would finance and direct those who were supposed to be their opposition, applying a technique that the Communists later called Pressure

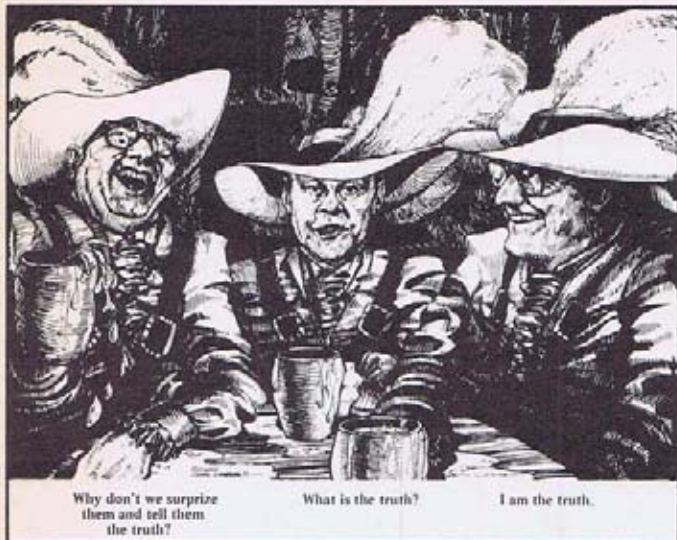
From Above And Pressure From Below. These Establishment *Insiders* began to finance and manipulate the Populist and other socialist movements to serve their larger conspiratorial purpose. As Professor Carroll Quigley discloses in *Tragedy And Hope*:

*More than fifty years ago the [J.P.] Morgan firm decided to infiltrate the Left-wing political movement in the United States. This was relatively easy to do, since these groups were starved for funds and eager for a voice to reach the people. Wall Street supplied both. . . . There was nothing really new about this decision, since other financiers had talked about it and even attempted it earlier. What made it decisively important this time was the combination of its adoption by the dominant Wall Street financier, at a time when tax policy was driving all financiers to seek tax-exempt refuge for their fortunes . . . .*

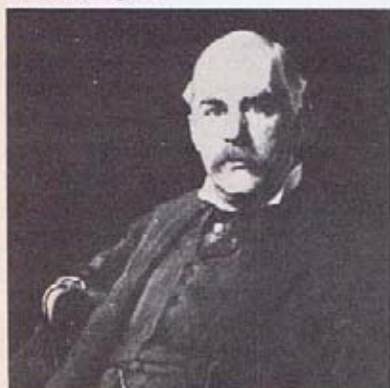
While the Populist movement was basically non-conspiratorial, its Leftist ideology and platform were made to order for the elitist *Insiders* because it aimed at concentrating power in government. The *Insiders* knew they could control that power and use it to their own purposes. They were not, of course, interested in promoting competition but in restricting it. Professor Gabriel Kolko has prepared a lengthy volume presenting the undeniable proof that the giant corporate manipulators promoted much of the so-called "progressive legislation" of the Teddy Roosevelt, Taft, and Wilson eras — legislation which was ostensibly aimed at controlling their abuses, but which was so written as to suit their interests. In *The Triumph Of Conservatism* he notes:

*. . . the significant reason for many businessmen welcoming and*

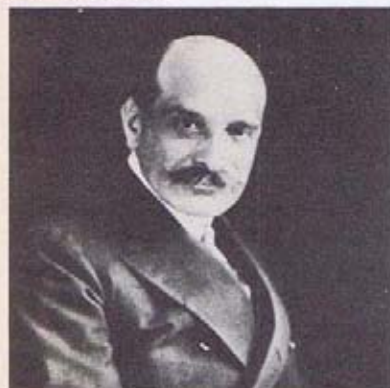




J.P. Morgan



Paul Warburg



By now all America knows that in 1970 Nelson Aldrich Rockefeller paid no federal income tax. Few understand why, any more than they understand how or why the Federal Reserve has inflated our currency. Both of these "mysteries" are of course related. On the heels of our first permanent income-tax legislation (October, 1913) came the centralization of banking under the Federal Reserve Act (December, 1913). Both

the income tax and the centralization of banking were tenets of the *Communist Manifesto* and aimed at delivering power to a handful of conspirators out to rule the world. Both were sold by Senator Nelson Aldrich, the agent of John D. Rockefeller and J.P. Morgan, under the guise of a plan to take financial power away from Wall Street. The Federal Reserve Act opened the floodgates for an ever expanding National Debt, and the income tax guaranteed the ability of the government to pay the interest on that Debt to the banking *Insiders*. An international banker from Germany named Paul Warburg (the Warburgs' Manhattan Bank was later merged with the Rockefellers' Chase Bank to make Chase Manhattan) was the agent who with Senator Aldrich ran the operation which set up the Federal Reserve in accordance with plans of an international conspiracy. The scheme is now milking the American taxpayers for \$31 billion a year in interest on the Debt alone, and while Establishment *Insiders* are protected by tax-free foundations and laws written to meet their needs, 90 percent of our taxes are paid by Americans earning between \$5,000 and \$30,000 a year. These income taxes are being escalated to build a government powerful enough to push us into what is called the New World Order. In the 156 years spanning 1789 to 1945, federal tax collections totalled \$251 billion, while collections in 1975, alone, are estimated at \$300 billion.



working to increase federal intervention into their affairs has been virtually ignored by historians and economists. The oversight was due to the illusion that American industry was centralized and monopolized to such an extent that it could rationalize the activity [regulate production and prices] in its various branches voluntarily. Quite the opposite was true. Despite the large number of mergers, and the growth in the absolute size of many corporations, the dominant tendency in the American economy at the beginning of this century was toward growing competition. Competition was unacceptable to many key business and financial interests . . . .

The best way for the *Insiders* to eliminate this growing competition was to impose a progressive income tax on their competitors, write the laws to include built-in escape hatches for themselves, and arrange a central bank to whipsaw the economy in their own interest. Actually, very few of the proponents of the Federal Reserve and graduated income tax realized they were playing into the hands of those they were seeking to control. As Ferdinand Lundberg notes in *The Rich And The Super-Rich*:

*What it [the income tax] became, finally, was a siphon gradually inserted into the pocketbooks of the general public. Imposed to popular huzzas as a class tax, the income tax was gradually turned into a mass tax in a juditsu turnaround . . . .*

The *Insiders'* principal mouthpiece in the Senate during this period was Nelson Aldrich of Rhode Island, the maternal grandfather of Nelson Aldrich Rockefeller. Lundberg says that "When Aldrich spoke, newsmen understood that al-

though the words were his, the dramatic line was surely approved by 'Big John' [D. Rockefeller] . . . ." He was also called "Morgan's floor manager in the Senate." In earlier years Aldrich had denounced the income tax as "communist and socialistic," but in 1909 he pulled a dramatic and stunning reversal. The *American Biographical Dictionary* comments:

*Just when the opposition had become formidable he [Aldrich] took the wind out of its sails by bringing forward, with the support of the President [Taft], a proposed amendment to the Constitution empowering Congress to lay income taxes.*

Harold Hinton records in his 1942 biography of Cordell Hull that Congressman Hull, who had been pushing in the House for the income tax, wrote this stunned observation:

*During the past few weeks the unexpected spectacle of certain so-called "old-line conservative" [sic] Republican leaders in Congress suddenly reversing their attitude of a lifetime and seemingly espousing, through ill-concealed reluctance, the proposed income-tax amendment to the Constitution has been the occasion of universal surprise and wonder.*

The escape hatch was also ready. By the time the Amendment had been approved by the states, the great tax-free foundations were in full operation. Prior to 1910 there were only eighteen American foundations. In the next decade 76 were launched, in the 1920s 173, in the 1930s 288, in the 1940s 1,638, and in the 1950s 2,839. As taxes have increased so have the number of foundations.

It is not insignificant that right on the heels of the first income-tax law (Oc-



tober, 1913) came the centralization of banking under the Federal Reserve Act (December, 1913). This too, though also demanded in the *Communist Manifesto*, was pushed politically by Nelson Aldrich under the guise of a plan to take financial power away from Wall Street.

The Federal Reserve Act opened the floodgates for an ever-expanding National Debt, and the creation of an income tax guaranteed the ability of the government to pay the interest on the Debt to the New York bankers who promoted the Federal Reserve Act and who control the largest proportion of the Debt. It would be the height of naïveté to think that it all happened this way by accident.

It was all cleverly arranged. In order to convince Americans of the "need" for an income tax and central banking system the top leaders of finance capitalism had created what in *Years Of Plunder* Proctor Hansl called a "community of interest." These international bankers, under the leadership of J. Pierpont Morgan, had treated Americans to a lesson in conspiracy by creating a series of financial "panics." Senator Robert Owen, a co-author of the Federal Reserve Act who later deeply regretted his role, testified before a Congressional Committee that the bank he owned received from the National Bankers' Association what came to be known as the "Panic Circular of 1893." It stated: "You will at once retire one-third of your circulation and call in one-half of your loans . . ." The result was of course a nationwide economic panic which enriched only those in on the game and set the carefully controlled Populists to screaming for "reform."

The big blow fell in 1907. Writing in *Life* magazine for April 25, 1949, historian Frederick Lewis Allen told of Morgan's role in spreading rumors about the insolvency of the Knickerbocker Bank and The Trust Company of America, triggering what was called the Panic of 1907. Oakleigh Thorne, president of the trust company, testified before a

Congressional Committee that his bank had been subjected to only moderate withdrawals, that he had not applied for help, and that it was Morgan who had purposely created the panic. This killed off rival banks, consolidated those in the Morgan orbit, set the Populists and western farmers to screaming for "reform," and opened the door to the Federal Reserve System and the income tax.

The "panic" which Morgan had created, he proceeded to end almost single-handedly. He had made his point. Frederick Lewis Allen explains: "The lesson of the Panic of 1907 was clear, though not for six years was it destined to be embodied in legislation: the United States gravely needed a *central banking system* . . ."

Morgan was of course an important member of an *international conspiracy*. Educated in England and Germany, he was said by many — including Congressman Louis McFadden, a banker who for ten years headed the House Banking and Currency Committee — to be the top American agent of the English Rothschilds. Another member of that conspiracy who played a significant role in providing America with the income tax and a central bank was Paul Warburg, who along with his brother Felix had immigrated to the United States from Germany in 1902. They left brother Max at home in Frankfurt to run the family bank (M.N. Warburg and Company). Max was later a major financier of the Russian Revolution.

Paul Warburg had married Nina Loeb and Felix married Frieda Schiff, both daughters of partners in the powerful international banking house of Kuhn, Loeb and Company. Stephen Birmingham writes in his authoritative book *Our Crowd*: "In the eighteenth century the Schiffs and Rothschilds shared a double house in Frankfurt. Jacob Schiff reportedly bought his partnership in Kuhn, Loeb and Company with Rothschild money. Both Paul and Felix Warburg

# Through Six Administrations . . .

ROOSEVELT



TRUMAN



EISENHOWER



KENNEDY



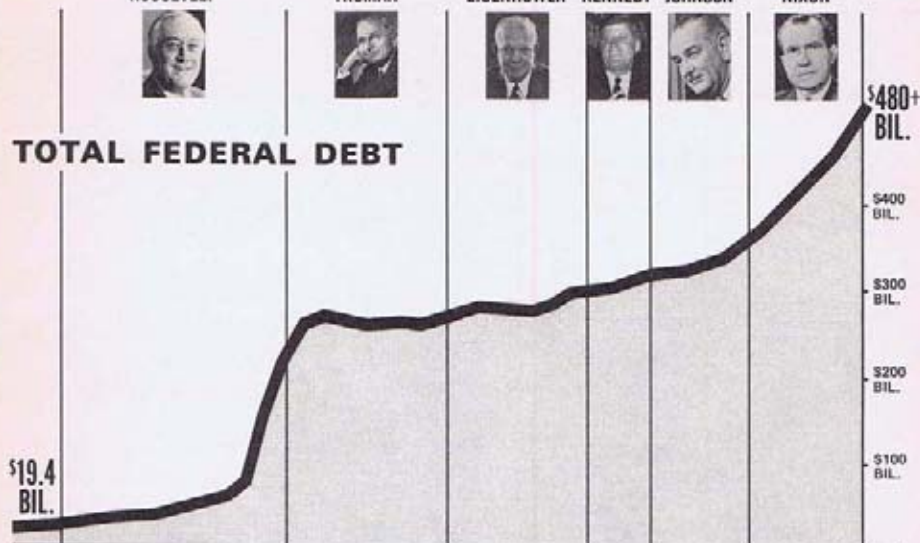
JOHNSON



NIXON



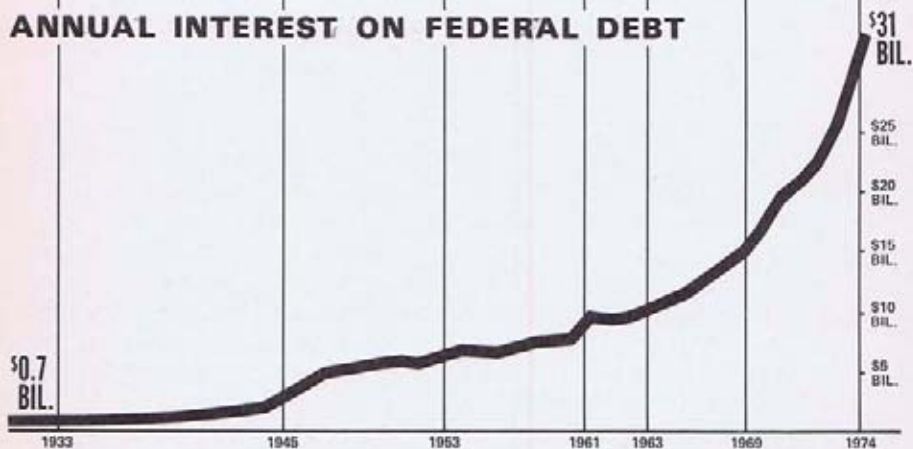
## TOTAL FEDERAL DEBT



## FEDERAL DEBT PER PERSON



## ANNUAL INTEREST ON FEDERAL DEBT





became partners in Kuhn, Loeb. The Warburgs also owned the Manhattan Bank, which was later merged with the Rockefellers' Chase Bank to make Chase-Manhattan.

In 1907, the year of the Morgan-precipitated panic we have been discussing, Paul Warburg began spending almost all of his time writing and lecturing on the need for a central bank while Kuhn, Loeb kept him on salary at five hundred thousand dollars a year. This continued for six years, with Warburg working closely with Senator Nelson Aldrich. After the carefully created Panic of 1907, it was arranged for Aldrich to be appointed by the Senate to head the National Monetary Commission. Nelson Aldrich and his entourage spent nearly two years and three hundred thousand dollars of the taxpayers' money as they were wined, dined, and schooled in conspiracy by Europe's central bankers. Within months after his return, Nelson Aldrich, Paul Warburg, and the nation's leading international bankers had triggered the legislation which resulted in the graduated income tax. Their next move was to stage one of the most important secret meetings in the history of the United States. As Rockefeller protégé Frank Vanderlip admitted years later in his memoirs:

*Despite my views about the value to society of greater publicity for the affairs of corporations, there was an occasion, near the close of 1910, when I was as secretive — indeed as furtive — as any conspirator . . . I do not feel it is any exaggeration to speak of our secret expedition to Jekyll Island [Georgia] as the occasion of the actual conception of the Federal Reserve System.*

The secrecy was well warranted. With the income tax already in the works, control over the entire economy was at

stake. Senator Aldrich had issued invitations to Henry P. Davison of J.P. Morgan and Company; Frank A. Vanderlip, president of the Rockefeller-owned National City Bank; A. Piatt Andrew, Assistant Secretary of the Treasury; Benjamin Strong of Morgan's Bankers Trust Company; and, of course, Paul Warburg of Kuhn, Loeb and Company. Their goal was to write the final recommendations of the National Monetary Commission Report.

Out of the Jekyll Island meeting came the Aldrich Bill to establish what Warburg proposed be named the "Federal Reserve System." Aldrich, however, insisted that his name be attached to the legislation because he was associated in the public mind with banking reform. But the public proved better informed than the conspirators anticipated and the Aldrich Bill failed. The Republican Party was too closely connected with the Wall Street conspirators to have much credibility in pulling off so clearly dangerous a project.

It became clear that the only hope for a central bank was to disguise it, and have it put through by the Democrats as a measure to strip the *Insiders* of Wall Street of their power. The opportunity to do this came with the Presidential election of 1912. Incumbent Republican President William Howard Taft, who had gone along with the income tax but turned against the Aldrich Bill, seemed certain to be re-elected until Taft's predecessor, fellow Republican Theodore Roosevelt, agreed to run as the candidate of the Progressive Party. In *America's Sixty Families*, Ferdinand Lundberg comments:

*As soon as Roosevelt signified that he would again challenge Taft the President's defeat was inevitable. Throughout the three-cornered fight [Taft-Roosevelt-Wilson], Roosevelt had [Morgan agents Frank] Munsey and [George] Perkins constantly at his heels, supplying*



money, going over speeches and bringing people from Wall Street in to help, and, in general, carrying the whole burden of the campaign against Taft . . . .

*Perkins and J.P. Morgan and Co. were the substance of the Progressive Party; everything else was trimming . . . .*

But the Democratic candidate, Woodrow Wilson, was equally the property of Morgan and the *Insider* interests. Dr. Gabriel Kolko reports in his *The Triumph Of Conservatism*: "In late 1907 he [Wilson] supported the Aldrich Bill on banking, and was full of praise for Morgan's role in American Society." Ferdinand Lundberg put it this way: "For nearly twenty years before his nomination Woodrow Wilson had moved in the shadow of Wall Street."

While Woodrow Wilson and Theodore Roosevelt were whistle-stopping the United States with hypocritical denunciations of the Wall Street "money trust," the *Insiders* of that very group were financing the campaigns of both. Conspiring with Morgan to control the situation were Jacob Schiff, Bernard Baruch, John D. Rockefeller, the Warburgs, Thomas Fortune Ryan, and *New York Times* publisher Adolph Ochs.

The man these *Insiders* assigned as control on Wilson was the mysterious "Colonel" Edward Mandel House, the British-educated son of a representative of Rothschild financial interests in the American South. House authored a book, *Philip Dru: Administrator*, in which he wrote of establishing "Socialism as dreamed by Karl Marx." He knew what that meant as certainly as did Morgan, Rockefeller, Warburg, and the others. Both in his book and as Henry Kissinger to Woodrow Wilson, House called for passage of a graduated income tax and a central banking system to provide "a flexible [*inflatable*] currency." Incredible as it seems, Karl Marx and Colonel

House were but agents serving the same conspiracy.

In his *The Intimate Papers Of Colonel House*, Professor Charles Seymour refers to the "Colonel" as the "unseen guardian angel" of the Federal Reserve Act. Seymour establishes that there was constant contact between House and Paul Warburg while the Federal Reserve Act was being prepared and steered through Congress under the Wilson Administration. Biographer George Viereck assures us that "The Schiffs, the Warburgs, the Kahns, the Rockefellers, and the Morgans put their faith in House." Their faith was amply rewarded.

Taking advantage of the desire of Congress to adjourn for Christmas, the Federal Reserve Act was passed on December 22, 1913, by a vote of 298 to 60 in the House and 43 to 25 in the Senate. The *Insiders* of international finance had won the day, and conspirator Paul Warburg relinquished his job as a Kuhn, Loeb partner at half a million dollars a year to take a position with the Federal Reserve System at twelve thousand a year. The man chosen to serve as Chairman of the vitally important New York Federal Reserve Bank was the same Benjamin Strong of the Morgan interests who accompanied Warburg, Davison, Vanderlip, and the other conspirators to Jekyll Island, Georgia, to draft the Aldrich Bill.

How powerful is our "central bank"? The Federal Reserve controls our money supply and interest rates, and thereby manipulates the entire economy — creating inflation or deflation, recession or boom, and sending the stock market up or down at whim. The Federal Reserve is so powerful that Congressman Wright Patman, Chairman of the House Banking Committee, maintains:

*In the United States today we have in effect two governments. . . . We have the duly constituted Government . . . . Then we have an*  
(Continued on page sixty-five.)



## TAX OR TRIM

*independent, uncontrolled and uncoordinated government in the Federal Reserve System, operating the money powers which are reserved to Congress by the Constitution.*

And the Federal Reserve System has never been audited, firmly and successfully resisting all attempts by House Banking Committee Chairman Patman to do so. The "Fed" claims an audit would be an attack on its independence.

The game has been at once clever and infinitely deceptive. But it has worked. The Morgan-created Panic of 1907 produced just the "right" sort of reform. In 1909 a Constitutional Amendment to establish a federal income tax was pushed through both Houses of Congress. Alabama was the first state to ratify it, and Wyoming became the necessary thirty-sixth state to approve in February 1913. The Sixteenth Amendment, combined with the Federal Reserve Act passed late in 1913 with the aid of President Wilson, enabled a handful of *Insiders* to take control of our economy and accumulate great wealth and power at the expense of taxpaying Americans while themselves using tax-free foundations to avoid income and death taxes.

The name of the game, since 1913, has been so to alter the nature of our federal government as to make unlimited dictatorship possible. This has been done by arranging higher and then higher taxes, with larger and larger deficits being run through the Federal Reserve to insure ever more massive inflation, billions in interest for the *Insiders*, and ever greater centralization of power in Washington. Of course this appealed to the politicians too. As F.D.R.'s assistant Harry Hopkins put it, the idea was "tax and tax, spend and spend, elect and elect. The people are too damned dumb to understand."

Not that there were none in public life when all of this was being debated who saw the red handwriting on the wall. Senator Henry Cabot Lodge Sr. said that the Federal Reserve Act could only "open the way to vast inflation." And Congressman Charles A. Lindbergh Sr. declared:

*This act establishes the most gigantic trust on earth . . . . When the President signs this act the invisible government by the money power, proven to exist by the Money Trust investigation, will be legalized . . . .*

*This is the Aldrich Bill in disguise . . . .*

*The new law will create inflation whenever the trusts want inflation . . . .*

*From now on depressions will be scientifically created.*

And Richard R. Byrd, Speaker of the Virginia House of Delegates, warned of the income tax as early as 1910 that the Sixteenth Amendment:

*. . . will extend the federal power so as to reach the citizen in the ordinary business of life. A hand from Washington will be stretched out and placed upon every man's business; the eye of a federal inspector will be in every man's counting house . . . .*

*An army of federal inspectors, spies, and detectives will descend upon the state. They will compel men of business to show their books and disclose the secrets of their affairs . . . . They will require statements and affidavits . . . .*

*When the federal government gets a stranglehold on the individual businessman, state lines will exist nowhere but on the maps. Its agents will everywhere supervise the commercial life of the states.*



Today, Richard Byrd's words ring prophetically clear. But at the time the fist was hidden in a red velvet glove. No one who had taxable income under five thousand dollars had to pay any income tax at all. Remember, that sum in 1913 was worth in today's purchasing power somewhere around fifteen to twenty thousand dollars. A man with such an income was a comparatively well-to-do citizen, and when he reached that sum all he had to pay was four-tenths of one percent — a tax of twenty dollars per year. If he had an income of ten thousand dollars, his tax was only seventy dollars per year. On an income of one hundred thousand dollars the tax was two and one-half percent, or twenty-five hundred dollars. And on incomes of half a million dollars the tax was twenty-five thousand dollars or five percent. Practically no one complained about so paltry a tax.

#### Tax And Spend

By 1929, the tax collector was raking in about one dollar of every ten the American worker earned. By 1940, he had increased his take to one in five. By the late Fifties he was getting one in four. Today our local, state, and federal taxes take one of every three dollars the people earn. You don't have to be a mathematical wizard to spot a trend here.

Naturally this growth in the percentage of our income extracted by the tax collector has had a tremendous impact on our lives. For instance, consider the phenomenal increase in the number of those involved in government employment. In 1950, eighty-eight percent of the nation's salaried workers were in the private sector, with twelve percent distributed among the federal, state, and local governments. In 1968, the percentage of those in the private sector had dropped to eighty-four percent while those in government had risen to sixteen percent. Syndicated columnist Ralph de Toledano tells us of those key years: "In flat numbers... the government grew from

5.7 million workers to 10.7 million — which is almost double. The rate of increase for the government was about 2½ times that of private industry."

By 1970, according to the Tax Foundation, the number of government workers had increased to 12.6 million. In Wyoming, West Virginia, and the District of Columbia there were more new jobs in government than in private industry, and in nine states (Alaska, Kansas, Maine, Montana, New Mexico, New York, North Dakota, South Dakota, and Utah) the ratio was at least one new government job for every two in the private sector. And, according to the Tax Foundation, the annual pay of government workers was already averaging five hundred dollars more than for workers in the private sector.

All of this has naturally reduced our production of both producers' and consumers' goods, increased prices accordingly, and rocketed taxes through the roof. As the Federal Reserve inflated our currency to meet the growing National Debt, wages and prices were driven up further — and with the rise of wages we were pushed into higher tax brackets and paid an ever greater percentage of our incomes in taxes. "The cost of living today is 3½ times as high as it was at the turn of the century," says the Institute of Life Insurance. "By a striking coincidence, total government spending has risen 3¼ times as fast as economic activity during this period (which coincided with the life of the income tax). Considering today's tax burden and its impact on savings, capital formation and incentive, excessive growth of government spending tends to become a drag on the growth of the economy rather than a stimulus."

"Liberals" are fond of blaming the military for this. But, as Senator John L. McClellan (D.-Arkansas) told the Senate last year:

*There is an impression among many of our citizens that defense*



*spending is the prime cause of the rapidly increasing high cost of the Federal Government. This is, indeed, an erroneous impression. The fact is that since 1964 the cost of government has gone up \$150 billion — from \$118.6 billion to \$268.7 billion estimated in fiscal 1974. Of the total increase, only 19%, or \$28.6 billion, is attributable to military spending. The remaining 81%, or \$121.4 billion, is attributable to . . . human resources and general government.*

*Moreover, defense spending has been rising far less rapidly than any other major item in the budget. While Federal outlays have gone up about 127% in the past decade — from \$118.6 billion to \$268.7 billion . . . defense spending has increased by only 58% during this same period — from \$49.5 billion to \$78.2 billion. At the same time, Federal aid to education jumped 466%, from \$1.1 billion to \$6.3 billion; public assistance 246%, from \$3.1 billion to \$10.7 billion; social security 235%, from \$16.2 billion to \$54.2 billion; and health care and medical services, including medicare and medicaid, increased dramatically by 4,571% — from \$393 million to \$18.4 billion.*

According to *U.S. News & World Report* for October 14, 1974: "In 1964, the last year before the Vietnam buildup, defense spending was 8.3% of the GNP. It rose to 9.4% at the height of the fighting in 1968 . . . it is now 5.8% of the GNP." And the inflation being spun off through the Federal Reserve is eating the heart out of budgeted defense expenditures. For example, the original cost of a B-1 bomber was \$46 million, it is now \$76 million; a Trident missile submarine was \$1,243 million, it is now \$1,545 million. Another cost is rising veterans' benefits, which are considered a part of the mili-

tary budget. There are now twenty-nine million veterans — 1,000 from the Spanish-American War; 1,067,000 from World War I; 13,732,000 from World War II; 6,004,000 from the War in Korea; 3,099,000 from the "Cold War" era; and, 7,037,000 from the Vietnam War. (Nearly two million of those veterans served in two wars and are counted twice.) The benefits they receive cost the taxpayers around \$13.6 billion, up from \$5.7 billion a decade ago.

Defense is a legitimate function of government. We need to be able to defend ourselves merely to survive. Why is it that those who favor further starvation of our national defense never say anything about the vast and intentional squandering of the taxpayers' money on absurdities? For instance, \$57,500 of your taxes were given to the University of Pittsburgh to study "community and national integration in the People's Republic of China." Then there is Harvard's home-fire project for which the brain trust at Harvard received \$797,200 of your money to discover how water extinguishes fire. Another \$5,000 of your taxes were spent to study the diving behavior of seals; \$85,000 to examine the impact of rural road construction in Poland; \$576,969 to teach mothers how to play with their children; \$35,000 to study wild boars in Pakistan; \$46,089 to prepare a dictionary on witchcraft; \$15,000 to study lizards in Yugoslavia; \$6,000 to snoop on bisexual Polish frogs; \$22,470 for "enhancement of cognitive abilities and self-image of freshmen women at Central College in Iowa"; \$375,000 to learn how frisbees spin through the air; \$19,300 to figure out why children fall off tricycles; and, much more to chase Central American toads, record the smell of perspiration of Australian aborigines, provide an odor-measuring machine for Turkey, and on and on and on.

While all of this is enough to boil the blood of a snowman, the total spending



on foreign aid is much more dangerous. As of June 30, 1973, the American taxpayers had underwritten \$158 billion for foreign aid. Interest on that money cost us \$94,634,000,000, bringing the total cost to \$253 billion. Senator Jesse Helms (R.-North Carolina) has put this astronomical figure in perspective: "If you lined up 253,000 men each carrying one million dollars, then you would have an amount equal to what foreign aid has cost the taxpayers of America." If we had no foreign aid, we would have only half our National Debt. And half the thirty-one billion dollars a year the taxpayers must provide to pay the interest on that Debt would be eliminated.

Not only is the federal government giving away billions of our wealth abroad, it is taking other billions from us to buy control of local government at home. In 1972 Congress enacted the "general revenue sharing" program. This system is now channeling \$30.2 billion in federal taxes and debt to all fifty states and more than thirty-eight thousand units of local government in our first Communist-style Five Year Plan. The consequence is to bribe us with our own money into an ever greater dependence on Washington.

Federal "income security" programs are another means by which collectivists bleed us to buy votes, run up billions more in interest for the *Insiders*, and extend their authority. Under the Nixon Administration the amount of money spent on these programs more than doubled to \$113.3 billion. In 1975, thirty-two million people will collect Social Security benefits, sixteen million will receive public assistance, sixteen million will receive Food Stamps, 6.6 million will collect unemployment insurance, nearly five million will receive veterans' compensation and pensions, 1.4 million federal civilian employees or survivors will receive retirement pay, and one million will get federal railroad retirement benefits. In the Fiscal Year ending June 30, 1969, twenty-five cents of every dollar spent by

the U.S. Government went for "income security." This year it is thirty-seven cents of every dollar. And the Welfare State is growing as millions more take billions more from your taxes.

And while Middle America has been picking up the tab for this spending orgy to expand the power and authority of the *Insiders* who are running our government, tax subsidies have also been passed to certain of the privileged rich. In 1973 these subsidies cost Middle America sixty billion dollars in taxes we had to make up from paychecks already shrunken by inflation. According to a Treasury report the ninety-one thousand people who earned over one hundred thousand dollars enjoyed thirty times as much tax-subsidy money per tax return as did the far larger number further down the income scale.

Those at the bottom of the economic ladder are also being bought with our money. Leonard Read of the Foundation for Economic Education writes in *The Freeman* for September 1974 that "the total U.S. food stamp program that cost \$85.5 million in 1965 is projected to cost \$7.2 billion in 1975 . . . a program that would expand by 8,400% in ten years. And how many Americans are expected to be riding that \$7.2 billion gravy train in 1975? The number, I am informed, will be 16,000,000." Agriculture Secretary Earl Butz points out that, in the current fiscal year, food assistance plans will account for two-thirds of the entire budget of the Department of Agriculture. Food Stamps are given not only to the needy, but to workers on strike and college students married or living together as a family. In addition, millions of youngsters are taking part in the national school-lunch program. More than one-third get meals free or at reduced prices. The number subsidized by your taxes has risen from three million in 1968 to 9.1 million in 1974.

In 1945 the U.S. Government spent one billion dollars annually on Welfare



expenses. By 1955 this had risen to \$7.4 billion, and in 1974 it had reached a startling \$99.4 billion with another increase of fourteen billion dollars scheduled for 1975. You pay for it. "When we wonder where our tax dollars are being wasted," says Congressman James M. Collins of Texas, "we need only look at O.E.O., the ongoing Poverty Program set up by President Lyndon Johnson," where eighty percent of the entire budget was used for salaries and overhead instead of help for the needy.

But perhaps the greatest trick the collectivists and conspirators have played on the American taxpayer has been the Social Security hoax. Social Security does not work like an insurance or pension plan where your money is invested. Instead it is a "payroll tax" which increasingly takes larger sums from employer and employee, restricts your use of your own money, and then gives part of it back (upon retirement) in amounts guaranteed to assure poverty.

As the great obfuscator used to say, "Let me make this perfectly clear." Under a normal retirement plan, your money is invested so that at a future date it will be repaid to you. It is like an investment account or pension plan. Social Security is no such thing. Instead it is a simple transfer of money from people who are working today to those who are retired. Most who are now drawing Social Security are taking out a great deal more money than they ever put into the program. They are being subsidized by the current work force. For them it is a good deal in terms of dollars, except that the benevolent collectivists who are giving retired people money they did not earn are the same collectivists who created the inflation which has destroyed the savings of the retired, forcing them to live on the federal dole.

This system can last only as long as there are many more workers than there are retired people. A levelling off of the population means that the proportion of

workers to retired is going to become more equalized. Which guarantees skyrocketing taxes to maintain an increasingly bankrupt Social Security system.

Less than two million Americans collected Social Security benefits in 1947, or one in every seventy-one Americans. Now 30.1 million are dependent on the program and one out of every seven Americans is receiving a monthly Social Security check at an annual cost of some \$68.9 billion. Within a decade, one out of six will be similarly watching the mails from Washington. By official estimate, just fifteen years from now the system will be running an annual deficit of twenty billion dollars.

Seven workers paid Social Security taxes in 1955 for each American collecting benefits. Now three workers pay taxes for each who is collecting benefits. By early in the next century, if we survive all of this, only two workers will be paying for each one collecting benefits.

The amount of earnings now subject to the Social Security payroll tax is \$13,200 and scheduled to go up again. Also scheduled to go up is the percent of tax which Americans must pay. The employer and employee must each pay \$772.20 for a total \$1,544.40 maximum, a tax of 5.85 percent. Self-employed persons pay both sides of a \$1,042.80 maximum. This tax burden is a far cry from the 1937 rate — which was a thirty dollar maximum payroll tax per year.

The fact is that just as the *Insiders* are strangling us with inflation and choking credit through the Federal Reserve System, they are taxing us to the point of slavery. The astronomical increase in the cost of government, and its consequent growth in power, is indicated by the fact that federal tax collections spanning the entire 156 years from 1789 to 1945 totalled \$251 billion; while collections in the year 1975, alone, are estimated at over three hundred billion dollars. Former Congressman John Schmitz is among those Conservative leaders who are



alarmed by this. Writing in his excellent *Schmitz Newsletter* for October 21, 1974, he observed:

*If these statements seem intemperate or exaggerated, consider the following facts, attested by economist David T. Wendell writing in the David L. Babson Company letter: "Back in 1950 government outlays averaged \$1,650 for every family of four. By 1965, the figure had reached \$3,750. But next year (1975), it will top \$9,000. This accepted rate of exponential growth has been eight times as fast as the much-feared population rise."*

When you realize that the median family income for 1975 is expected to be just over twelve thousand dollars, that government outlay of nine thousand dollars per household takes on terrifying proportions. Americans are being destroyed by a government that is taking their money through taxes, and the purchasing power of what remains through a planned inflation run neatly through the debt cult in charge of the Federal Reserve. As federal debts pile up, more and more of our tax money goes to pay interest at higher rates to the banking *Insiders*. In 1939 the Federal Debt was \$40.4 billion, and by 1945 it had risen to over \$240 billion. Fiscal 1975 will see a National Debt well over five hundred billion dollars. To illustrate how much that really is, try counting just to one billion. If you count fast it will take you more than sixteen years. You could not in a *lifetime* count the National Debt. At two numbers per second it would take you eight thousand years. The interest alone on that Debt, notes Congressman James M. Collins, is costing us one thousand dollars per second. It would take three weeks' pay from the average American worker just to pay his own share for a year. To count just the

interest on the National Debt would take you 480 years.

Who holds this Debt? According to *U.S. News & World Report* for January 28, 1974: "Government trust funds held \$127 billions at latest count. Federal Reserve banks held \$78.5 billions. Individuals in this country, through savings bonds or other securities, owned \$77 billions. Foreign investors held \$57.5 billions — triple the amount just three years ago." But these figures only add up to \$340 billion. There's another \$150 billion or so out there somewhere to be accounted for. Who is holding it and drawing the interest? We are unlikely to find out until Congressman Wright Patman is allowed to audit the Federal Reserve! And the simple fact is that the U.S. Director of the Budget has estimated the real Debt is running in the trillions. This includes commitments for future Social Security payments, veterans' benefits, retirement benefits for government and railroad workers, etc.

But we are only scratching the surface. The cost of state and local government is of course skyrocketing too. In 1952, twenty-three percent of all taxes went to state and local collectors, but by 1972 they were taking thirty-four percent, and in 1973 the figure was thirty-seven percent. An interesting point here is that, compared to other taxes, property taxes have an admirable track record. In 1902 non-property taxes amounted to 4.7 percent of the G.N.P., but by 1970 they had soared to 31.4 percent. Property taxes in 1902 equaled 3.3 percent of the Gross National Product; in 1971 they were only 3.4 percent. Though the dollar amounts have grown, the proportionate weight of property levies on the total wealth of the nation has hardly grown at all. Of course property taxes are visible and levied locally — which is what limited government is all about.

By contrast, the federally levied income tax is almost completely out of hand. And keep in mind that, as the



distinguished economist Henry Hazlitt observed in *Man Vs. The Welfare State*, it was planned that way:

*In the Communist Manifesto of 1848, Marx and Engels frankly proposed "a heavy progressive or graduated income tax" as an instrument by which "the proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeois, to centralize all instruments of production in the hands of the State," and to make "despotic inroads on the right of property, and on the conditions of bourgeois production."*

Marx and Engels knew what Morgan and Nelson Aldrich and John D. Rockefeller and the Warburgs knew — that the growth of government power could be measured in terms of dollars spent, bureaucrats employed, and spheres of activity controlled. In December of 1968 a departing White House aide, Joseph A. Califano Jr., described by the *New York Times* as "President Johnson's man Friday in nurturing the Great Society," said in an interview that between 1961 and 1969 there had been a ten-fold growth in government activities. "There were about 45 domestic social programs when the Eisenhower Administration ended," he said. "Now there are no less than 435." As a matter of fact there were more. In 1968 Congressman William V. Roth Jr. identified 1,571 such programs, including 478 in H.E.W. alone. But, he conceded: "No one, anywhere, knows exactly how many Federal programs there are."

And it is not the super-rich *Insiders* promoting all of this who pay for it but you. Ninety percent of our taxes are paid by families earning between five thousand and thirty thousand dollars a year. The poor on one side, and the wealthy on the other, combine to pay but ten percent of the taxes. According to *U.S. News &*

*World Report* for June 3, 1974: "402 Americans with income of \$100,000 or more in 1972 escaped income taxes entirely — and four of them made more than a million dollars." But lest we forget, there were 1,011 people who reported incomes of a million dollars or more in 1972. Of the 1,007 who paid taxes, their *average* tax was 47.2 percent of their income. Even if you took all of the income from each of those 1,011 millionaires it would run our federal government for only two days. So the pretense that a graduated income tax on the rich will finance government is a deception and a fraud.

So who pays the taxes to feed big government? With the exception of Nelson Rockefeller and other *Insiders* protected by tax-free dodges arranged for them at the time the income tax was created, we all do. The enormous sums which government is spending long ago exceeded the total income of every American living west of the Mississippi. Charlie American still must work thirteen hours and ten minutes out of every forty-hour week to pay taxes for all of this spending. Broken down on an eight-hour work day it looks like this: Taxes take the income from two hours and thirty-eight minutes of Charlie's work day; housing takes one hour and twenty-four minutes; food, an hour and one minute; transportation, thirty-eight minutes; clothing, twenty-five minutes; medical care, twenty-three minutes; recreation, nineteen minutes; and, all other expenses, one hour and twelve minutes. Taxes are his largest expense.

In Fiscal 1974, if Charlie were a white-collar worker earning thirteen thousand dollars a year and supporting a wife and two children, his direct and indirect federal taxes would come to \$3,623. The biggest share of his federal taxes, \$1,382 or 38.15 percent, would go to Social Security benefits and welfare (Health & Income Security). His share of national defense is \$1,058, or thirty percent of his taxes. Interest on the public Debt created



by the Conspiracy we have discussed costs Charlie \$362 or 9.99 percent. These three items, alone, eat up almost eighty percent of his tax dollar taken by the federal government.

The consequences of the massive increase in the National Debt and the runaway growth of the bureaucracy should now be apparent even to Charlie, fastening on him government controls and "guidelines" at every turn, robbing him with runaway inflation, choking him with stratospheric interest rates that are threatening many with bankruptcy. And yet the most dangerous consequence of all this is that it has now placed Americans almost completely at the mercy of the *Insiders* who have managed the entire production. As the nation tightens its belt in answer to the urging of our leaders, it begins to dawn on Charlie that someone is tightening our neckties also.

#### What To Do

The answer lies in cutting back on the size and power of government. We need tax reform immediately — tax reform in which government is trimmed to its proper size and constitutional role.

The consequence of failing to obtain such relief can only be slavery in the New World Order that Nelson Aldrich Rockefeller and other Establishment *Insiders* are working to achieve. According to economist Pierre Rinfret, our economy is slipping faster than any economic machine in the world. Predicting that President Ford's phony program to control inflation would fail, he recently told the Women's National Democratic Club:

*If this nation survives it will be because of the people and the best elements of the information media. The Congress and the administrations have spent us into inflation,*

*and they will continue to do it — and they try to hide it.*

*... The United States has been in deficit for 25 out of the past 26 years. President Ford talks about holding spending to \$300 billion when he has really increased spending by \$37 billion, if you add up all the off-Budget borrowing. I predict the real 1975 deficit will be \$45 billion, counting off-Budget items.*

*... The Federal Government takes 62% of all available funds (by borrowing from the private money markets) in the United States, and we have the most irresponsible Congress and Presidential administration in the history of this country.*

*... To survive, we will have to return to fundamentals.*

What are the fundamentals? Just for starters, how about a cut in taxes supported by a balanced Budget that will require a severe reduction in the size of government; dissolving the Federal Reserve System and restoring a free market in credit; and, restoring gold and silver backing to our currency.

Without the ability to destroy your purchasing power, either through high bureaucratic taxation or created inflation, the conspirators of the New World Order would not have the power to destroy Middle America. And don't miss the point of what you see happening around you: America and the American economy *are* being destroyed. Among those working most earnestly to take that message to an awakening America are the leaders of TRIM — Tax Reform IMmediately — newest of the national ad hoc committees of The John Birch Society. You can help by joining them and carrying both the warning and the hope of a positive program to your own community. ■ ■

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**Before Government  
bleeds you dry,  
insist on:**

## ***Tax Reform IMmediately***

**"Tax and tax, spend and spend, elect and elect. The people are too damned dumb to understand." — Harry Hopkins (Top advisor to F.D.R.)**

Although the words are more than thirty years old, the policies are still in effect today. But now, the people *are* beginning to understand what their government is doing to them.

More and more Americans realize they are being taxed to the breaking point. They are alarmed at higher budgets, larger deficits, and greater inflation. And they are angered when the only solutions the bureaucrats propose are more taxes, increased spending, and bigger government.

Our solution is different — and vitally needed. It is *Lower Taxes Through Less Government*. If you share our concern, we urge you to join with thousands of other taxpayers in the nationwide program for Tax Reform IMmediately.

For information on our activities, and the address of the TRIM Committee nearest you, please write:

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