

# Can we save our Economy by Eliminating the Income Tax?

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The maxim is that the only two certainties in life are death and taxes. Today, we are standing on the edge of a cliff with no net below and we better just for once take a look at what we are doing. The Investment Bankers once again have blown their businesses up more profoundly than any terrorist could have conceived. There is no bottomless pit to bailouts. Letting the Investment Bankers manage their own mess pouring in what may be more than \$2 trillion before we see light, is like handing a drunk a bottle of whiskey and hope he can drink himself sober. The more we borrow the higher the interest rates will move because we are competing with the private sector and we will make it harder for the homeowners. It is not just capitalism that is on the line, it is our freedom. The investment banks were trying to rig the game, they were not investing for sound economic advantages.

We are living in a fantasy world of economic theories that no longer work. Once we abandoned the gold standard, everything changed. Money, once created only by the king, can now be created by the private sector. Leverage alone has always increased actual money supply through the velocity of money. But derivatives have increased the leverage factor at least 50:1 and foreign exchange can alter the money supply leaving the government merely an observer. John Maynard Keynes (1883-1946) argued that fiscal policy could be manipulated to offset a collapse in demand during an economic decline. He advocated the manipulation of interest rates and taxes to effect indirectly the economy. But money is no longer gold, the economy is an open system, and his ideas are now antiquated. Taxes have become a barbaric relic from the ancient past, no longer necessary since money is now electronic, not physical gold or silver that can be created only by God. Even the Euro was created by a mere gentlemen's agreement to keep spending within a specific percent of GDP. The class warfare instigated by the hatred of Karl Marx, is time to be retired with communism.

The income tax has outlived its usefulness and today it diminishes our ability to create jobs and to further economic growth. Back in 1997, I testified before the House Ways & Means Committee on this very subject. The Committee asked me why European companies were getting all the contracts in China? I explained, that the US income tax was based on worldwide income. Europeans were taxing only the earnings within their respective nations. Therefore, if a German company bid on the same project, they were already 33% less in cost compared to an American firm. America still treats its people as if we were the property of the state - slaves in reality. If you live in another country, do not use any services in America, you still owe income tax because you were born here. Even in England, you pay taxes on income only earned there because you are using the services like paying rent. But if you are British, live in Hong Kong, you do not pay taxes as if you were property. America cannot compete internationally. We are no different from any Marxist state except we claim you can be all you can be, but if you are born here, the state owns you, all your productive ability, for life. You are just property.

Talk about eliminating the income tax will bring a reaction from the Marxists who live among us in drag. They will point to the "rich" the same as Marx did using the term "**bourgeoisie**" and portray them as the "evil doers" who must be punished as in Ayn Rand for their daring to make more than the next guy. Since money is now created by the private sector in a floating exchange rate system unlike it was in a gold standard; taxation is costing our economy more than its is worth. In 1986 the national debt stood at \$2.1 trillion that rose to \$8.5 trillion in 2006. If we add all the interest payments during this period you will be shocked to see this was \$6.1 trillion. If we had taken just 25% of the money spent on interest,

we could have funded national healthcare and sent every child to college. Our taxes are destroying our economy. Yes jobs are leaving, but because of two main factors: (1) high taxes, and (2) high benefit costs. General Motors is collapsing for it cannot compete when burdened with taxes on worldwide income, benefits it can no longer fund, and healthcare costs that appear to have taken the last ride on the space shuttle because no one will create real tort reform. We blame the "greed" of corporations, but we tax them on worldwide income depriving Americans of the same ability to export our labor. We ignore the fact that labor wants the highest salary, but consumers want the lowest prices. We blame the manufacturer for trying to walk between these two competing forces. Eliminate the taxation and you will see jobs come pouring back to America like it was the Gold Rush of 1849.

China emerged from communism where there was no income tax because you were the property of the state. In the Chinese "controlled capitalism" experiment, they exploded in economic growth because there was no income tax. China itself made a fortune off of indirect taxation as Thomas Jefferson and James Madison designed. It was the ideas of Karl Marx that led to the adoption of the income tax in 1909 that was ratified in 1913 as the 16th Amendment to the Constitution. The popularity of Marx in America pre-Russian Revolution was widespread. The income tax that was to extract wealth only from the evil "rich" was applied with the payroll tax after World War II. Suddenly, everyone became rich and we then began to borrow from the poorest without interest, and pretended we gave them a gift with a refund.

It makes no sense to tax our people and corporations at huge costs to even administer such a system when the private sector creates money today electronically anyway. If someone calls a bank and wants to buy \$1 trillion exchanging Euros, they do not call the Treasury to ask permission. Inflation is no longer the rise in the prices of goods and services, it is the depreciation in the purchasing power of the dollar. International capital can alter the money supply at will. Do we still need taxes when money is no longer tangible? If a building is sold from one American to another, nothing happens to the money supply. But if a Japanese buys the building, they convert their yen to dollars. There is now an increase in money supply. Why tax when we can create money annually in a disciplined manner tied to a percent of GDP? This would end the political-class warfare, create jobs making our work force both competitive internationally, and for the first time make our labor exportable.

It is time to think out of the box. If we try to bailout everything that is going to collapse, the current system will cause us to issue bonds that will compete with the private sector driving interest rates higher, not lower. If the contagion spreads worldwide, the foreign buying of our debt will decline and our money supply will implode anyway. The more we borrow internationally, the more we pay in interest that now will never stimulate the domestic economy at all. The Investment banks always blow-up because they use excessive leverage. The call money rates in 1907 hit 125%. It was the Investment Bank of Jay Cooke & Co that blew-up in 1873 because of their speculation in railroad stocks. In 1932, Mr. Sachs testified before the Senate where he was asked at what price did they sell their shares in Goldman Sachs Trading Corporation? He replied \$104. When Senator Couzens asked where was it that day? He replied \$1.75. The Long-Term Capital Collapse of 1998 was again excessive leverage against what they believed was a guaranteed trade in Russia with IMF loans. Stop helping the investment banks. They will object because they rely on selling government debt to make a fortune in commissions. The accounting industry will complain because no one will need to file federal income taxes. The money is already created in the form of bonds. Redeem them and we will save more than \$6 trillion in the next 10 years in interest alone. That would rebuild our infrastructure and revitalize our economy. Start helping America. It is time now not only to think out of the box Karl Marx created, but it is time to step out of the box and look carefully at what kind of box we even live in. The Euro is a basic gentlemen's agreement between nations. A controlled monetization of the cost of government is a day that is now our only viable alternative. When the investment bank of Jay Cooke collapsed in 1873, the economic decline set in motion was like that of Japan but worse, it lasted for about 26 years. We owe our children a better life than that!