

InSight by Nora Hamerman

Tax revolt: American tradition?

The American colonists rejected British taxes designed to enforce economic backwardness—but were ready to pay levies for their new nation's development.

Following the howls of protest that came from some quarters when subscribers studied Lyndon LaRouche's tax program in a recent issue, we are obliged to straighten out some misconceptions about the history of the tax issue in the United States. LaRouche's policy, given the condition of the U.S. economy, is very tough on "free enterprise" speculation.

For the purpose of channeling savings and earnings into capital intensive investment in production of useful, tangible commodities which will in fact increase the tax base of the economy and its productivity, LaRouche proposes a substantial increase in amortization, depreciation and depletion allowances for capital improvements in agriculture, manufacturing, construction, mining, forestry, and public transport; tax deduction credits for not only businesses, but households investing in the equity earning such depreciation, amortization and depletion; and credits for investing profits in research and development and for exporting high technology.

Speculation will be severely penalized by this tax policy putting such "investors" out of business.

Is this American, some readers ask? Was not the 1776 revolt against Britain inspired by resistance to British tax policy?

The real story is that the American Revolution was fought over

the colonies' right to develop their own industry, against the British Crown's insistence that the colonies remain raw materials producers. British taxation was just one aspect of the Crown's policy to deny America the right to develop.

After the revolutionary war, there was probably no greater impetus to the creation of the present Constitution than the recognized weakness of the federal government under the Articles of Confederation with regard to taxation. Under the Confederation, the central government had no powers to raise revenues through directly levying taxes. It could only go, hat in hand, to state governments to "requisition" funds, even for such vital matters as financing the Continental Army.

Then, as now, the tax issue was not an abstract issue, but a practical matter of weaponry in combatting the economic warfare Britain was waging against the United States. The British made no secret of the fact that they were prepared to resubjugate the United States by strangling its infant industries in the cradle and crippling the Union through internecine quarrels, especially on taxes.

George Washington was deeply concerned about the powerlessness of the central government, as was General Lafayette, who wrote to Washington: "By their conduct in the revolution, the citizens of America have commanded the re-

spect of the world; but it grieves me to think that they will in a measure lose it, unless they strengthen the confederation, give Congress the power to regulate their trade, pay off their debt, or at least the interest of it, establish a well regulated militia, and in a word, complete all those measures which you have recommended to them."

Popular antagonism to taxes encouraged by the Tories reached its peak shortly before the adoption of the new Constitution with Shay's Rebellion in Massachusetts. In response to Washington's inquiries, General Knox, the initiator of the Society of the Cincinnati, reported to Washington: "... high taxes are the ostensible cause of the commotions, but that they are the real cause, is as far remote from the truth, as light from darkness. The people who are the insurgents have never paid any, but very little taxes. But they see the weakness of the government."

Washington's reaction to the tax riots was: "Good God! who besides a Tory could have foreseen, or a Briton predicted them?" Knox, who was dispatched with 2,000 troops to suppress the rebellion, confirmed Washington's judgment, reporting that the leaders of the rebellion had avowed their objectives to be "abolition of debts, the division of property, and a reunion with Great Britain."

As LaRouche recently noted, the reason many Americans are drawn into the "tax revolt" today is that they hate the government—and with good reason. If LaRouche were in the White House, they would be willing to pay taxes to get America back on the road to prosperity.