

RETIRING THE NATIONAL DEBT OF THE UNITED STATES OF AMERICA

a treatise and discussion

by

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INTRODUCTION

There is a never-ending debate concerning what to do about the national debt and the staggering amount of interest that accrues each year. In the current political atmosphere there are two prominent positions. Republicans, taking their marching orders from the Tea Party members, want to redistribute more of the nation's wealth to the rich and super-rich by taking revenue from social programs and giving it to the wealthy by way of tax cuts. Their primary targets for reduction or elimination are the so-called entitlements, e.g., Social Security and Medicare. They have also targeted funding for public broadcasting (keep the masses ignorant), head-start, public schools by reducing teacher pay and benefits, and increasing class size (keep the masses ignorant), the Environmental Protection Agency, the Department of Education, and on and on.

Liberal/Progressives propose that the tax cut granted to the upper 2% during the Bush Administration should be allowed to lapse thus restoring tax rates on the upper 2% of the population to pre-Bush rates.

The rich and superrich, many of whom owe their fortunes to ancestors (Fords, DuPonts, Mellons, Rockefeller, Forbes and Koch brothers to name a small fraction), whine incessantly about how social programs, e.g. social security, Medicare, National Healthcare, unemployment insurance, the U.S. Departments of Education, Labor, Human Services and so on, are bankrupting the United States. They voice these criticisms while thinking nothing of suggesting huge tax cuts for the richest 2 % of population, or that we go farther in debt to fund a star-wars defense system labeled as "silly" by the scientific community, or to finance foreign wars as a means of further enriching the military-industrial complex, and controlling oil or other assets of those countries. This nation's history is replete with examples of our sponsoring, and participation in, the overthrow of democratically elected governments to suite the purposes of our richest citizens.

How do owners of inherited wealth influence United States political and financial policies? The following is a miniscule number of examples of the exercise of destructive power by inherited wealth over our legislative process. There are hundreds, if not thousands, more.

Richard Mellon Scaife, is heir to a multi-billion dollar banking, oil, and uranium fortune, one the 400 richest men in the world. How did he use his windfall estate? To fund the Arkansas

Project, the committee that instigated and successfully promoted the impeachment of President William Jefferson Clinton. The proceedings are generally thought to have been a colossal waste of government time and money. The conservative special prosecutor, Mr. Starr, spent in excess of fifty million dollars over a period on three years investigating Mr. Clinton and ended up with nothing.

Rupert Murdoch, heir to an Australian newspaper empire, now a naturalized citizen of the United States, owns and operates Fox News the largest purveyor of right-wing propaganda in the this nation. Mr. Murdoch is also one of the world's four hundred richest persons.

William Krystal is an heir to a publishing fortune. He is the founder and publisher of the Weekly Standard, a right wing rag that opposes all social justice policies. The magazine was financed by Rupert Murdoch. He (Krystal) utilized his unearned wealth to defeat President Clinton's health care plan, thereby depriving millions of Americans of affordable healthcare, and by serving on numerous conservative boards, including the Emergency Committee of Israel.

These scions of leisure promote wars in Iraq, Afghanistan and Iran. What is it they want? The answer is simple: to do away with all programs that require them to pay a fair share of their incomes into the national treasury. Instead they would take us into debt for any program that enhances defense spending (they own the defense industry), so long as the middle income earner pays for the majority of the costs.

Social programs, they say, coddle the unemployed and add billions to the annual deficit thereby increasing the national debt. Their constant drumbeat: limit and/or privatize social security, eliminate Medicare, repeal the National Healthcare Plan of 2010, reduce food supplement programs, block payment of unemployment compensation and all other safety net programs, destroy the unions by depriving them of collective bargaining rights. They would foist these remedies, jam them down the citizen collective throats (follow the facists antics of the Wisconsin and Michigan governors) tin order, they claim, to reduce the annual deficit and control the national debt.

If payment of the national debt is such a high priority for the wellbeing of our nation, *if that is truly their objective*, there is a way to do so without putting the burden on the least of our citizens. Implementation of the following proposal would eliminate the National Debt in its entirety and forever.

PROPOSITIONS

PROPOSITION No.1: Eighty-seven percent of all assets in the U. S. are owned by one and a half percent of the population.

PROPOSITION No. 2: Assets owned by the upper one and a half percent of households are estimated to be of the value of 54.2 trillion dollars, more than four times the total of the national debt of 13 trillion.

PROPOSITION NO. 3: It is a basic and much promoted tenet of capitalism that all members of society should support themselves with the fruits of their own labor, and that work, innovation, and invention should be rewarded in direct relation to the needs of the free market.

PROPOSITION NO. 4: All citizens who are physically and mentally able to hold gainful employment should do so until they reach the age of sixty or become infirm whichever occurs first.

PROPOSITION NO. 5: There is a relationship (the extent of which has yet to be determined) between the incentive to produce and the amount of income tax levied on the fruits of that production. We can postulate with certainty that all incentive to produce would be lost under the burden of a one-hundred (100%) tax on income.

PROPOSITION NO. 6: *Accident of birth* does NOT create a right to wealth just as it does NOT create an obligation to be impoverished.

PROPOSITION NO. 7: A large percentage of the national debt was incurred by the affluent, their representatives and lobbyists to combat and neutralize, what was conceived by them to be threats to their safety and/or their ownership of property: The Cold War, Korean War, Vietnam War, Afghanistan War, and the two Iraq Wars.

PROPOSITION NO. 8: Equity dictates that those individuals and classes within a society, who create debt and who benefit most from its creation, should bear the major responsibility for paying it back.

PROPOSITION NO. 9: The small percent of the population who own and/or control 87% of the wealth of the nation benefit at a much greater rate from the services paid for by the general public, and therefore they should be required to reimburse from their estates an amount sufficient to reimburse their underpayment for those services.

PROPOSITION NO. 10: It is inherently inequitable for future generations to pay a debt incurred for the benefit of two percent of the nation's ancestors unless 100 % of the general public shares in the wealth protected. This is especially true for those members of the future generation whose ancestors were not the makers of the debt nor the beneficiaries of the wealth created.

PROPOSITION NO. 11: Property and wealth can only be owned and controlled by living beings. Rights in property terminate at the instant of death.

PROPOSITION NO. 12: Testamentary disposition of property is not a right but a privilege granted by lawfully constituted government. The right of a member of society to direct the disposition of his property post death, if any such right exists, is subordinate to the inherent right of government to tax.

PROPOSITION NO. 13: It is a much touted tenet of the work ethic that no individual or class is entitled to "wealth" in small or large portions unless that individual has worked for or otherwise earned that wealth. "Workfare" is a popular expression employed by the propertied class to encourage the government to cut or eliminate welfare. Workfare should apply to all members of society, not just the poor.

PROPOSITION NO. 14: Elimination of the national debt would release into the economy vast amounts of investment capital and virtually eliminate all income taxes.

DISCUSSION

In a modified capitalistic society competition is reputed to be the catalyst which produces greater quantities of goods and services at lower cost which in theory results in lower prices for the consumer. In theory this basic principal applies to both corporations and individuals. However, in practice it applies to neither. It is the natural result of man's avarice that he will seek to create monopolies or cartels or illegal conspiracies to fix prices and thereby *eliminate* competition. Examples of this basic truth occur so frequently and across such a broad spectrum of the business world as to make any challenge of the tenet ludicrous.

In today's economic environment there is a class of individuals against whom the average citizen cannot compete. The game is fixed. Competition is not conducted on a level field. Those individuals who comprise the upper two percent of the population have unlimited capital, and with it the economic power to drive ordinary citizens out of the fray. Ideally, the success or failure of a business should depend on the founder(s) initiative, ingenuity and creativity. But in the real world, the greater the economic gulf between the upper two percent and the remainder of the populace, the less role those laudable attributes will play in success or failure, and the less likely fair competition will occur.

Many of these individuals in the upper strata of income and ownership are from one to five generations removed from the producers of their original wealth, or as that class is so fond of saying, "they are old money." This significant element of society should be referred to as being on *inheritfare*. Their lifestyles might be compared to that of the landed aristocracy of England, except today's inherited elite live far more lavishly than their scorned predecessors from whom the founding fathers escaped. It is well known that the leisure class of society produces little, if anything, of value. Most of its members do not even manage their own affairs, depending on paid professionals to do so.

The rich and their spokespersons complain incessantly about the cost to the taxpayer of supporting the underprivileged. They continually contrive and promote ways to return the recipients of public welfare to *productive lives*. Should we not insist through legislation that the statutes governing workfare apply to all economic classes? Members of our competitive society should strive to create wealth, jobs, and a higher standard of living, and the inherited rich should not be exempted from joining in this high and noble cause. Taxing away the bulk of their unearned largess would motivate many of these polo-players to get off their horses and into the work force.

NATURAL CONSEQUENCE OF INHERITED WEALTH

a case history

In the early part of the nineteenth century the industrial revolution swept westward from Great Britain. An enterprising shop keeper in Massachusetts, by the name of Reed, recognized the need for textile production in the United States. Risking his own savings, and borrowing heavily from investment bankers and friends, he capitalized a textile industry that within a few years was one of the nation's leading manufacturers of wearing apparel.

During this period, in response to the demands of the newly created class of entrepreneurs for cheap labor, the Congress of the United States relaxed immigration laws allowing a flood of impoverished European laborers into the country.

Reed Enterprises prospered. Immigrant women and children worked in filthy unventilated factories from dawn until dark, six and often seven days per week. Their labor produced 15 to 25 times the wages paid. Children as young as eight years old were employed to enhance the net worth of the industrialist. They received no paid holidays, no paid vacations, no medical care—none of the benefits that were eventually won through the bloody strikes of organized labor. The early profits of Reeds Enterprises were accumulated on the backs of oppressed women and children.

Mr. Reed was past his prime when the Civil War broke out. His oldest son, Charles, had long since assumed leadership of the company. His daughter, Karla, had married well and had provided Mr. Reed with four robust grandchildren. When Charles went to his father and told him that he had signed a contract with the U.S. Government to supply uniforms to the Union Army at a price that would yield 1500% profit on each uniform the old man simply could not stand the shock and expired.

If the Reed family was wealthy before the war, it would be fair to say that they were super rich after the war as a result of their government contract. Reed Enterprise's second layer of riches had been accumulated from war profiteering.

Mr. Reed's wife Martha, took advantage of the financial success that had followed her husband's energy and innovation. She dressed in the finest clothes. Her household duties were performed by a retinue of servants, maids and butlers. She kept the best company and traveled to wherever and whenever she chose. Her children were deprived of nothing. When it was reported that they were having difficulty with a particular subject at their exclusive private prep school, she hired a tutor to make sure they would be fully prepared to take advantage of the Ivy League College in which they would one day be enrolled.

When fighting between the States erupted, Percival, the Reed's youngest son, was just graduating from his preparatory school. His mother had already made arrangements for his entry into Yale University. However, Percival, in a brief romantic and patriotic interlude, envisioned

his becoming an American hero, and so mentioned to his mother that he might like to join the Union Army and fight with the Massachusetts Regiment. With his education and wealth he would purchase a military commission and thereby avoid the discomforts imposed upon enlisted personnel. This fleeting fantasy of heroism passed the next day when his older brother returned to the home with a teletype account of the battle of Shiloh where hundreds of Union Soldiers were either killed or wounded in the brief space of hours. His mother nearly fainted with the prospect of her youngest going off to fight for some undefined principal. Percival explained that according to the local draft laws he either had to go to war, or pay someone to go in his place. The story is continued with the saga of Billy McGuire, below.

Billy McGuire was the oldest of the five McGuire children. Two years previous, when he was fourteen years old, his mother, who had been employed at Reed Enterprises, died of tuberculosis. Billy quit school to help his father raise the four siblings. Now at age sixteen he had a steady job at the Reed home as a stable hand. Percival Reed was an avid equestrian so that over a period of two years he and Billy, the stable hand, had become good friends.

When Percival's mother told him she was going to run an ad in the local paper for a boy to fill her son's military obligation, he suggested that obtaining a substitute might not require an advertisement. Billy McGuire, for a few hundred dollars, agreed to assume the military obligation of Percival Reed.

Eighteen months later, the news that Billy had died in combat evoked a mixture of emotions from Percival. Of course, he was sad for the loss of his friend. But even more pronounced was his relief that his family was among the privileged who had the right and the means to buy his way out of service to their country.

The privilege of inherited property not only assured Percival and his heirs, for many generations, the best life and education possible, it also enabled him to buy his way out of duty to country. Thus his life was bartered for that of Billy McGuire. Examples of money and station influencing military obligations are rife.

For a more recent example, of inherited wealth buying the military obligation of an offspring, we need look no further than the case of George W. Bush, who, through the influence exerted by his senator father (whose fortune was also inherited), was able to spend the duration of Vietnam war in a non-combat air unit in Texas.

These are small, but stark examples of how inherited wealth is used in a socially and economically harmful way. Today the purchase of the People's Congress by bribery—using so called campaign donations—is one of the most destructive uses of inherited wealth.

THE PROPOSED REMEDY

THEREFORE BE IT RESOLVED that the Congress of the United States should enact legislation sufficient to accomplish the following objectives:

1. Insure that the marital deduction on estate taxes continues to apply to 100% of the surviving spouses OF ALL DECEASED PERSONS.

2. Impose a tax on the estate of the last of the marital partners to die that would prevent the passing to any heir, lineal or collateral, any part of the estate in excess of five million dollars. The remainder of the estate to be taxed at 100%. The exempted amount should be sufficient to protect the holdings of small businessmen and farmers who often pass the management of a small enterprise to a family member. This exemption to be adjusted from time to time for inflation and other equitable considerations. **The objective of the plan is to return to the economy the huge accumulations of capital held by those who are generations removed from those who earned it.**

3. All proceeds from estates, in excess of the exempted amount, would pass to the U. S. Treasury and be earmarked for the purpose of retiring the National Debt. The Secretary of the Treasury would be imposed with the duty of disposing of non cash assets within a commercially reasonable time.

4. Amend the laws governing trusts and estates to prevent passage of wealth from one generation to another ad infinitum. In 1986, Congress passed legislation intended to avoid generation skipping by the super-rich. In order to make this Plan work, the law against perpetuities would have to be revisited, reinstated and revised to give it substance and to create the means to enforce it. Transferring wealth into trusts for any reason, other than eleemosynary, would be strictly forbidden. Charitable trusts would terminate automatically and completely within a life or lives in being at the time of the trustor's death.

5. All intervivos transfers of wealth in any form between parents and lineal or collateral heirs would be subject to the same tax provisions imposed upon the estate at the death of the last spouse.

6. There would be an exception for charitable gifts made to eleemosynary institutions.

This proposal allows for *reasonable inheritance*, and does not effect 98% of the population.

Inheritance is not a right but a privilege. Two of our most distinguished patriots, Thomas Jefferson and Benjamin Franklin, promoted the idea that property and wealth can only vest in living people and those who have passed to a greater reward have no property rights. It was Franklin, the most conservative founder, who proclaimed that everything that a man accumulates beyond a "modest competence" to feed and support his family adequately, and to educate his children, was made by virtue of the order created by the society in which he lived. Therefore, that same society had a right to claim any surplus estate and dispose of it as it wished.

Of course, it will be argued that a living person is possessed of some "right" to direct the disposition of his or her worldly goods. If such a right exists it was granted by legislation and is subordinate to the inherent power of the state to tax.

It is well known by economists that a democracy cannot survive in the environment of huge capital accumulations in the hands of a minority, while a majority of the populace are unable (even though many work two or more jobs) to provide for basic human needs. The resulting economic and political system is known as a plutocracy or oligarchy. Such governments are always repressive as their primary goal is not the welfare of the people, but the protection of the plutocrat's personal wealth.

It should be evident from the numerous vulgar examples of greed that appeared day by day in the media during the Reagan/Bush/Clinton/Bush/Obama years, that **there is a level of capital accumulation that can be classified as grossly and obscenely excessive**. Many of these episodes were coupled with examples of how corruptive excessive wealth is and can be. One example, familiar to all, is the multi-billion dollar estate of Sam Walton, and how his heirs have used, and continue to use, their inherited billions for anti-social purposes, including but not limited to opposing public schools, labor unions, and promoting censorship of public libraries. The Koch brothers of Kansas, two of the richest men in the world continually fund causes and politicians who work against the best interest of the people.

One need not look too deeply into the past to discover that the activities which produced many of the giant hordes of wealth were frequently illegal, immoral or against the public good. Many of the most famous fortunes came into existence as the result of special privilege, graft, exploitation of the working class, piracy, tax evasion, gun running, war time profiteering, smuggling, etc. **To allow fortunes, many of which were accumulated by nefarious means, to endure for endless generations is ludicrous, and against sound public policy.** Their continual survival demonstrates the stranglehold that mega-estates have over Congress. The present state of the law is the result of power and or corrupt influences bought and paid for by the wealth holders. The susceptibility of congress to corrupt influence accounts for the presence of hordes of lobbyists who are paid outlandish sums to promote passage of legislation intended to protect and/or increase the wealth of their masters.

It is ironic when a fortune, amassed through questionable means by an unprincipled ancestor, ends up under the control of an unscrupulous heir who uses his windfall wealth to corrupt politicians and policies. A blatant example can be found in the transcripts of the Senate hearings on the confirmation of Nelson Rockefeller to the position of Vice-President of the United States, from 1974 - 1977. Despite the disclosure that he had bestowed large sums of inherited wealth (1.8 million) on various public officials as bribes, he was confirmed to the second highest post in the nation. He was able to achieve this coveted post, not by effort or genius, but by the use of funds accumulated half a century before his birth by one of the most unscrupulous robber barons in American history.

In the 1930s it was the inherited rich DuPont brothers who fought against President Roosevelt's New Deal containing social reforms. Today, members of the inherited rich class, e.g. Malcolm Stevenson Forbes, Jr., and Charles and David Koch, Walton heirs, etc., rail incessantly against social security, unemployment insurance, labor unions, and the graduated income tax. They promote eliminating public education, the department of labor, the minimum wage and all

safety network programs. Public Broadcasting is a favorite target as it is the media by which most citizens who reside in rural America receive unbiased news reporting. They annually pass millions of dollars to unscrupulous members of the government to achieve agendas which are detrimental to the health, welfare, and happiness of the average citizen. Many are scoundrels who have done nothing to merit the vast fortunes which they control. The names quoted here are only a small fraction of the members of the inherited wealth class who use their unearned largess against the public good.

It is emphasized that the legal principal which dictates that *accident of birth* does not create a right to inherit is based on the Common Law from which our Federal and State Statutes are codified.

CONCLUSION

I will close with this enticement: If the National Debt were retired (*without the necessity of imposing new taxes on working citizens*) by the taxing of mega-estates, even in modest installments over the next few decades, it would unleash a flood of investment capital that would create a level of prosperity beyond description for all Americans. No longer would service of the national debt and obscene income taxes imposed on the general population drain trillions out of the economy. It is conceivable that with this proposed tax on inheritance, and the expected robust expansion of the economy that would follow, the income tax would become non-existent in the budget of the average tax payer.

The object of this proposal is to bring inheritance taxes into the national debate on the issue of how to deal with the National Debt. The majority of our citizens do not understand that no one with an estate less than five million dollars will ever have to pay a dime's worth of inheritance tax. Do not let the howling and name-calling distract you from the truth of what is written herein. Open discussion is essential to an understanding that there is an equitable means of facing up to, and conquering, what has been postulated to be an insoluble problem.

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