TAXES AND MILITARISM

Lloyd J. Dumas

The essence of taxation, seen from the point of view of the taxpayer, is the forcible confiscation of resources. This includes, but is not restricted to, the flow of tax dollars. The analysis presented here explores this fundamental concept of taxation and its relationship to the operation of the military system. It is specifically focused on this relationship as it operates in the United States, but particulars aside, a number of the points of analysis are likely to be much more broadly applicable.

The Anatomy of the Fiscal Tax Burden

The great taxpayer revolt of 1978 began with the passage of Proposition 13 in California, slashing property taxes in the state by some 57 percent. Many commentators read this national movement as a revolution against the growing pervasiveness of government, a powerful statement that limitless expansion of the public sector, financed by an ever greater preemption of private resources, was not going to be tolerated. If this expression of taxpayer frustration and outrage is indeed a populist rebellion against the growing burden of government taxation, it is one with a sizable ideological blind spot. Even a brief analysis of the anatomy of the individual fiscal tax burden will show that the taxpayer revolt was focused on one of its minor components. To date, none of the spokespersons for this movement have come to grips with the fact that the "military tax" by itself clearly constitutes a larger part of the total burden than does the property tax.

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The author is Associate Professor of Political Economy at the University of Texas at Dallas, 75222.

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The latest year for which complete relevant tax and expenditure data were readily available at this writing was 1977.[1] All the data that follow are standardized for that year, unless otherwise noted.[2]

The tax burden borne by individuals has three major components: income taxes, sales taxes, and property taxes. Both income and sales taxes are paid to federal as well as state and local governments, but the property tax is the province of the state and local governments alone. Individual income taxes are predominantly (84 percent) federal, as against 16 percent at state and local levels. Gross receipts and sales taxes, on the other hand, are mostly (72 percent) state and local, as against 28 percent federal (the latter includes customs duties). As a national average, the relative sizes of these three main components of the individual tax burden were as follows: Property taxes, the target of the California-based tax revolters, constituted only 19 percent; sales taxes accounted for 25 percent; and income taxes were responsible for 56 percent. Nearly half the total weight of these individual taxes, some 47 percent, was taken in the form of *federal* income tax dollars.

The average U.S. taxpayer thus paid roughly $2.50 in federal income tax for every dollar of property tax in 1977. These individual income tax dollars constituted 64 percent of the total tax revenue collected by the federal government in that year.

And how were the federal revenues spent? The largest part of the federal budget outlays, 73.1 percent in 1977 (up to 75 percent in 1979), were classified as "relatively uncontrollable" by the U.S. Office of Management and Budget (OMB). Deleting "prior-year contracts and obligations" from this category to leave only "open-ended programs and fixed costs," such as social security, unemployment insurance, federal employee retirement, veteran benefits, and Medicare and Medicaid, brings the percentage down to 59.4 percent in that year (58.4 percent in 1979). OMB classifies these as "relatively uncontrollable" because they "...can neither be increased nor decreased by presidential decisions without a change in existing federal laws or are beyond administrative control, such

[1]Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States*, 1979, pp. 256, 287.

[2]The data given are not "pure." For example, corporate income to localities is included with "individual income," where it is apparently very small relative to the pure category. It is beyond the scope of this paper to sort out all the data impurities in these tax figures. I consider them minor. In any case, the percentages given for the distribution of the tax burden are intended only to be indicative of the relative share of different components. The analysis presented is not overly sensitive to errors of the order of magnitude these impurities are likely to represent.

as benefit payments that beneficiaries are entitled to by law. . . ." [3]

On the other hand, "relatively controllable" outlays are those whose magnitudes are essentially decided upon year by year. In 1977, a total of $112.9 billion of federal expenditures was so classified by the OMB ($128.6 billion in 1979). Of these $70.8 billion ($71.7 billion in 1979) was put by OMB in the category of "national defense" expenditures. Thus, adhering precisely to OMB definition, 62.7 percent (55.8 percent in 1979) of controllable federal outlays were for military-related purposes. If "prior-year" contracts are added on the theory that they were at least partly the result of "controllable" outlays of past years, the percentage that OMB classified as national defense expenditures becomes 53.1 percent (49.4 percent in 1979).

Since the system of budgeting and administrative categories is complex, and all systems of accounting categories are essentially arbitrary, it is possible to manipulate the evaluation of federal spending in so many ways that the process of budget analysis can become very confusing. In addition, whole sections of functionally important expenditures often appear under classifications quite different from what would normally be expected by those not initiated into the mysteries of the federal budget. For example, one would certainly expect that expenditures for the development and production of nuclear weapons would be included in the budget for the Department of Defense. However, they are instead in the budget of the Department of Energy.

Trying to disentangle the situation sufficiently to accurately estimate the fraction of the individual's tax burden that supports military spending is, for these and other reasons, no mean task. Only the roughest sort of estimate is attempted here.

Certain funds are "dedicated" to specific purposes through the establishment of separately financed trust funds. For instance, the social security system is financed by separate payroll taxes on covered employees and their employers. These funds cannot legally be spent for any other purpose (which is why they are classified as "relatively uncontrollable") and so can be functionally segregated from general income tax flows. Those taxes categorized as "individual income" taxes are not used to support these specially funded programs. If the major categories of separately financed funds [4] are eliminated from the calculation, remaining federal expenditures

[3] Bureau of the Census, *Statistical Abstract*, 1979, p. 256.

[4] Social security and railroad retirement, federal employees' retirement and insurance, and unemployment assistance are included here.

total $282.6 billion in 1977 ($358.4 billion in 1979). Of this, some $124.7 billion ($150 billion in 1979) or 44 percent (42 percent in 1979) is clearly military-related.[5]

It is reasonable to consider this a conservative estimate of the share of general taxes that finances military spending.[6] If this is counterposed against the estimate resulting from considering only "controllable outlays," a range of from 44 percent to 63 percent can be derived for 1977. Assuming that individual income taxes were spent in these relative proportions for military purposes, the direct "military tax" burden of individuals is at least 10 percent and perhaps as much as 58 percent greater than their property tax burden.

The overall picture may be summarized as follows. The property taxes, which were the subject of the tax revolt, constitute only about one-fifth of the average individual's direct tax burden. These taxes went to state and local governments, primarily to finance local services such as education, police and fire services, and sanitation, as well as public welfare. Federal income taxes, on the other hand, are responsible for nearly half the individual's direct tax burden. Almost two-thirds of "controllable" federal outlays went for military purposes. In 1977, the average U.S. citizen paid $2.50 in federal income tax for every dollar paid in state and local property tax. The part of the individual's tax burden taken as "military tax" can be roughly estimated as somewhere between $1.10 and $1.60 per dollar of property tax.

The Distribution of Military Taxes and Expenditures

While the incidence of military tax corresponds essentially to the pattern of per capita income, the military expenditures that the tax supports are distributed in a very different pattern. Military spending tends to be concentrated in relatively distinct geographic pockets, which are to be found in all major geographic sectors of the United States. If one were attempting to consciously manipulate the pattern of military expenditure so as to purposely maximize political economic impact, particularly on the Congress, it would be difficult to do so much more effectively. This is not to say the pattern of spending has been so manipulated, but rather that the end result has been similar.

[5]Included in military-related expenditures here are present-year defense spending, prior-year defense contracts and obligations spending, and veterans' benefits. Three-quarters of the interest on the national debt is included as well, as an estimate of the fraction of that debt that is war-incurred.

[6]For one thing, the space program is typically classified as civilian although much of it is essentially military in character.

Geographic concentration guarantees that the impact of alterations in the pattern, and particularly the magnitude, of military expenditure will not go unnoticed. The geographic dispersion of these pockets maximizes the likelihood that, through the normal process of congressional *quid pro quo* vote trading, support for maintenance or expansion of military expenditures will continue. This is particularly true to the extent that military spending pockets are focused in the districts of key congresspeople.

In a recent study, James Anderson of Michigan State University analyzed the distribution of the burden of direct military tax counterposed against the distribution of military spending by state, major metropolitan area, and congressional district.[7]

When both the military expenditure inflows and the military tax outflows are taken into consideration, the usual picture of military spending as a broad-gauge boon to the nation's economy takes on a different cast, for the pattern is one of vastly unequal distribution of burdens and benefits. A total of 305 of the nation's 435 congressional districts are, according to Anderson's calculations, net losers. Of all the east coast states, only Maryland and Connecticut have more congressional districts with net inflow than with net outflow. Not a single state in the entire mid-country has more net inflow than net outflow districts; the same is true of the South, where even Texas, second in the nation in total prime military contracts, has 14 out of 24 districts that are net losers. The two regions of the United States experiencing the greatest economic stagnation difficulties, the Northeast and the Midwest, are severely drained: 79 of the 104 congressional districts in the Northeast are net losers, as are 95 of the 100 districts in the upper Midwest.[8]

Within states, the disparities can be extreme. In Mississippi, for example, the state as a whole has a net excess of military spending over military tax of $1.3 billion. Yet, in Anderson's words, "Four out of its five congressional districts, comprising the northern four-fifths of the state's population and land area suffer a net drain.... About $1.6 billion of Pentagon spending is concentrated entirely within the southeastern corner of the state...."[9] Texas, too, is a case in point. The Dallas-Fort Worth and San Antonio metropolitan areas experienced net inflows in fiscal 1977 of $862 million and $932 million, respectively, at the same time that the military tax

[7]J. R. Anderson, *The Impact of the Pentagon Tax on U.S. Congressional Districts* (Lansing, Mich.: Employment Research Associates, 1979).

[8]Minnesota, Wisconsin, Iowa, Illinois, Michigan, Indiana, and Ohio.

[9]Anderson, *Pentagon Tax*, pp. 2–3.

burden was producing a net drain of $974 million in Houston.

It is beyond the scope of this paper to analyze in any great detail the status and power in the Congress of the representatives of the net inflow areas, particularly in the House of Representatives where sheer numbers and complexity greatly magnify the task. However, a quick preliminary look does produce some interesting, though highly tentative, results.[10] The largest net gain congressional district in the nation (nearly $1.6 billion) is that of Congressman Wright of Texas, the House majority leader. Nearly a dozen representatives from the top fifty net inflow districts sit on the House Armed Services Committee; nine sit on the Budget, Appropriations, or Ways and Means Committees, a dozen more on the Rules or Government Operations Committees. But, on the whole the picture in the House is sufficiently ambiguous to require a much closer look before drawing firm conclusions.

In the Senate, the picture is a bit simpler and more clear. The ten states that had the largest net inflows according to the Anderson study were (in descending order): California, Virginia, Texas, Missouri, Connecticut, Mississippi, Washington, Hawaii, New Mexico, and Maryland. Among the senators from those states were: the majority whip; the chair, ranking minority member, and three other members of the Armed Services Committee; the chair of the Appropriations Committee and the chair of its Defense Appropriations Subcommittee; and the chair and five other members of the Governmental Affairs Committee. It is also interesting to note that twelve of the seventeen members of the Armed Services Committee represent net inflow states; and only two represent a state without a single net inflow district (Iowa), although there are twelve such states in the country.

What emerges here is a reasonably clear indication that in terms of direct dollar tax outflows and offsetting direct dollar return flows of military expenditures, the vast majority of the nation suffers a net loss. The military tax, even when offset against expenditures, produces a net dollar drain in more than 70 percent of the nation's congressional districts. Furthermore, a cursory glance at the Congress gives some indication, particularly in the Senate, that the pattern of expenditure relative to taxation has either resulted in or been caused by a substantial congressional power base of representatives of areas with direct and substantial political economic stake in military expenditure decisions.

[10]See *Congressional Directory, 1979: 96th Congress, 1st Session* (Washington, D.C.: Government Printing Office, 1979).

Double Taxation: Military Expenditure as a Tax

Thus far, attention has been focused on taxation in its traditional and most widely understood form—the governmental expropriation of private sector funds. From the taxpayer's point of view, the critical element is the reduction in his/her command over goods and services. Put simply, it is a loss of purchasing power. However, purchasing power can be lost not only through the direct confiscation of dollars but also through a decline in the value of the dollars themselves relative to available commodities. In other words, inflation is a form of taxation in the sense that it is an involuntary removal of purchasing power. Insofar as the loss of purchasing power is of equivalent size, it matters little, if, say, half of an individual's dollars are taken away or if prices double relative to his/her income. The result is exactly the same—the individual can only buy half as much as before.

It is interesting to note that inflation can be viewed as a tax from the government's perspective as well. Weak governments, unable to enforce the collection of tax revenues through normal channels, have, at least temporarily, achieved similar effect by simply printing excess money and thereby generating inflation. The inflation reduces the purchasing power of the population at large, while the newly printed money in the government's hands represents that part of the purchasing power removed from the population. As an illustration, a printing of an amount of new money equal to the presently outstanding money supply would result, as it is spent, in a doubling of the price level and thus a halving in the value of each dollar. Since half of that enlarged money supply was being spent by the government, they would have succeeded in confiscating half of the purchasing power in the economy—just as if they had been able to effectively collect half the original money supply in tax dollars through normal procedures without printing money. The disadvantage of this technique of purposeful "inflation taxation" is that it results in a geometrically growing money supply and hence inflation. Before too long, this could easily result in runaway inflation, perhaps even hyperinflation, especially insofar as inflationary expectations come to reinforce the process.

None of this is to say that the present situation in the United States is rapidly heading toward runaway inflation, or that the present inflation has been *purposely* generated by the government in order to covertly tax the public. Quite the contrary, it seems clear that the roots of the present inflation lie in the *unintended* consequences of consistent government spending policy. This brief dis-

cussion is intended only to point out that price level increases can be seen as a kind of tax from the government's viewpoint, under certain circumstances, as well as from the taxpayer's. Hence, the concept of inflation as a form of taxation is strengthened. However, it is primarily the taxpayer's viewpoint that is the center of concern here.

Now, it is generally acknowledged that military spending is, even among the various forms of government expenditure, particularly inflationary. It injects into the economy a flow of money that is not balanced by a production of goods and services that can absorb that flow. Neither the military-industrial firms that receive the weapons procurement funds, nor their employees whose salaries are paid from a portion of those funds, can purchase the type of products they are producing. Rather, the firms spend this money on the usual mix of investment goods, and their employees spend their salaries on ordinary consumption goods. They thus contribute to the demand for producer and consumer goods without contributing to the supply, with obviously inflationary effect. A dollar-for-dollar withdrawal of these excess funds from the private sector by the ordinary process of direct taxation could compensate, hence relieving inflationary pressure; but for chiefly political reasons, military expenditures have not typically been fully compensated. Hence, they have clearly contributed to inflation.

But there are other, more fundamental structural and institutional reasons why the persistence of high levels of military expenditure, extending over the three and a half decades of the post-World War II period, have played a major role in generating the excessive rates of inflation from which we have suffered since the close of the 1960s.

Military procurement practices have been such as to encourage inefficiency in military industry. Despite the development and contractual application of a variety of payment formulas intended to provide incentives for cost-minimizing production, virtually all major military contracts *in practice,* though not in form, operate under a cost-plus reimbursement scheme. This point has been analyzed in some detail elsewhere,[11] but one of the simplest reasons why the payment formulas have been so transmuted is that those formally written into contracts are rarely, if ever, tightly enforced.

Clearly, a cost-plus reimbursement scheme combined with a rich (and anxious) customer commanding a large fraction of the federal

[11]L. J. Dumas, "Payment Formulas and the Productive Efficiency of Military Industrial Firms," *Journal of Economic Issues,* June 1976.

discretionary budget is a prescription for massive inefficiency. Since cost escalation merely enhances the flow of revenues to the firm, military-industrial enterprises are ready, willing, and able to pay as high a price as necessary (and often far higher) in order to preempt whatever resources they desire from the private sector. The normal pressures toward cost reduction generated by the need to sell products in an ordinary marketplace are simply absent. Neither the firm nor its single government customer, the military, need pass any market test.

The result of this free-spending, cost-escalating behavior is the bidding up of prices of the various factors of production used by military industry, and consequent cost-push inflationary pressure on all other industries using those resources. This is, of course, particularly true of those factors that are used in supernormal concentration by military industry. Two of the most economically important examples are skilled machinists and engineering and scientific personnel. However, even more significant than the direct bidding up of factor costs has been the effect of the preemption or diversion of large fractions of key economic resources from the productive private sector.

According to recent but admittedly very crude estimates, at least 30 percent of the nation's engineers and scientists are engaged in military-related research.[12] Earlier estimates have ranged from 30 percent to 50 percent. This diversion of a large fraction of the engineering and scientific labor pool has been proceeding throughout the post-1945 "peacetime" period, but was given an especial boost beginning in the latter part of the 1950s after the launch of Sputnik by the USSR.

Now, the kind of new technological knowledge developed is strongly conditioned by the nature of the problems being studied and the type of solutions being sought. Since one-third or more of the nation's engineers and scientists have been seeking military-oriented solutions to military-oriented problems for the past several decades, it should be no surprise that the development of military technology has proceeded at a rapid pace in this country – or that the development of civilian-oriented technology has become severely retarded.

The much vaunted "spinoff" or "spillover" argument that military-

[12]L. J. Dumas, "The Impact of the Military Budget on the Domestic Economy" (Invited paper presented at the annual meeting of the American Association for the Advancement of Science, San Francisco, January 5, 1980).

oriented technological development produces massive improvements in areas of civilian application and thus does not retard civilian technological progress makes very little conceptual sense, and more to the point, is thoroughly contradicted by straightforward empirical observation. Of course, some transferability of technical knowledge between military and civilian application would be expected (in both directions), but conceptually it is difficult to see how directing attention to one area of technical research would routinely produce an *efficient* generation of knowledge pertaining to a completely different area.

On the empirical side, a 1974 report of a committee of the National Academy of Engineering stated:

> With a few exceptions the vast technology developed by Federally funded programs since World War II has not resulted in widespread "spinoffs" of secondary or additional applications of practical products, processes and services that have made an impact on the nation's economic growth, industrial productivity, employment gains and foreign trade.[13]

In addition, the seventh annual report (*Science Indicators: 1974*) of the National Science Board, governing body of the National Science Foundation, expressed concern over the serious erosion of the U.S. predominance in science and technology.

Recognition of the serious retardation of civilian technological progress is also widespread in the nation's business community. In 1976 (in the February 26 issue), *Business Week* ran an article entitled "The Breakdown of U.S. Innovation," the introduction of which included the phrase "...from boardroom to research lab there is a growing sense that something has happened to U.S. innovation...." Apparently that "sense" continued to grow, because by July 3, 1978, the story had made the cover of that journal. The second article, entitled "Vanishing Innovation," began: "A grim mood prevails today among industrial research managers. America's vaunted technological superiority of the 1950's and 1960's is vanishing...." The government also clearly recognized that a severe problem existed, as we see by the fact that the Carter administration ordered a massive, eight-month-long, twenty-eight-agency domestic policy review of the influence of the government on industrial innovation.

[13]National Academy of Engineering Committee on Technology Transfer and Utilization, "Technology Transfer and Utilization, Recommendations for Reducing the Emphasis and Correcting the Imbalance" (Washington, D.C.: National Academy of Engineering, 1974), p. i.

Given the huge amounts of money and technical personnel that have indisputably been poured into military-related research over the past several decades, the severity of the slowdown in civilian technological progress would not have occurred if the "spinoff" or "spillover" effects had been anything more than marginal. But if the transferability of invention and innovation was and is actually low, then the decades-long diversion of at least a third of the engineers and scientists in the United States to military-related work would predictably have produced precisely the sort of civilian technological deterioration that we have, in fact, experienced.

It is widely recognized that civilian technological progress is the keystone of productivity improvement and economic growth. As the National Science Board put it, in *Science Indicators: 1976,*

> The contribution of R&D to economic growth and productivity is positive, significant and high, and . . . such innovation is an important factor—perhaps the most important factor—in the economic growth of the United States in this century.

Civilian technological progress contributes to the growth of labor productivity by encouraging increases in the quantity of capital per worker and to the growth of both labor and capital productivity through the development of production techniques enabling the more efficient use of productive resources in general. Accordingly, as the development of civilian technology became increasingly retarded in the United States, productivity growth began to collapse.

From 1947 to 1965, output per hour grew at an average annual rate of 3.3 percent in the nonfarm business sector of the United States, according to the Council of Economic Advisers. From 1965 to 1978, that rate of labor productivity growth was cut in half, averaging 1.6 percent per year. In recent years the United States has had the lowest rate of productivity growth of any major noncommunist economy. Furthermore, the productivity growth collapse is accelerating. While the annual growth rate from 1965 to 1973 averaged 2.1 percent, from 1973 to 1978 it was 0.8 percent. In the first six months of 1979, output per labor-hour in the private business sector actually *fell* at an annual rate of 3.3 percent. During the second quarter of 1979, "productivity fell at an annual rate of 5.7%, the largest quarterly decline ever recorded in this series of statistics, which began in 1947."[14]

The improvement of productivity clearly plays a crucial role in

[14]Clyde H. Farnsworth, "Lag in Productivity Called Major Peril to Living Standard," *New York Times,* August 13, 1979.

countering inflationary pressures, for it is sustained productivity growth that offsets the effects of rising input costs. It is, of course, not the separate cost of labor, fuels, materials, and capital that is relevant to the determination of product price, but rather the combined cost of these productive resources *per unit* of product. Thus, the rise in labor costs, for example, might be at least partially offset by substituting cheaper capital for labor, or by organizing production to use labor more efficiently, or both. As long as the net result is to produce more output per unit of input, rises in input costs need not be fully translated into rises in the cost per unit of product. Correspondingly, the upward "cost-push" pressures on price will be mitigated.

It is therefore clear that the deterioration of productivity growth will substantially compromise this cost-offsetting capability. In the absence of strong productivity improvement, rising costs of labor, fuels, and other inputs will be translated into rising product prices. As this occurs over a whole series of industries, a self-reinforcing rise in the general level of prices, or inflation, is generated. This has been a powerful inflationary engine.

It is particularly interesting that this very same mechanism has also been a major generator of unemployment.

As the prices of U.S.-produced goods rose higher and higher, the nation's industry became less and less competitive *vis-à-vis* foreign competition. Overseas markets were lost and the U.S. export position weakened. Domestic markets were lost to foreign production and the U.S. import position worsened. The progressive loss of markets induced cutbacks in U.S.-based production, with high unemployment rates the result. And this problem was exacerbated by the flight of U.S.-owned production facilities to cheap labor havens abroad, as one logical response to the inability to offset higher costs at home because of the productivity failure. It is thus preeminently the declining competitiveness of U.S. industry, resulting from decreasing productivity growth, that has generated unemployment even in the face of high product demand.

During the decade of the 1970s, the dynamic process of deterioration that has been described here has produced the unprecedented coincidence of high inflation and high unemployment that has become a fact of our economic life. For that entire decade, the unemployment rate averaged more than 6 percent at the same time that the inflation rate averaged nearly 7 percent. It is, of course, the inflation rate that is the primary focus of attention here. And that has been accelerating. The average rate of increase of the overall consumer price index was just over 5 percent in 1976, almost 7 percent

in 1977, more than 9 percent in 1978, and nearly 12.5 percent in 1979.[15]

It is reasonable to ask why, if high levels of military expenditures are in fact a prime cause of the present inflation (and unemployment) situation, it took until the late 1960s/early1970s for stagflation to occur when military spending levels had been high since the 1940s. The answer lies in the fact that the process of economic decay produced by excessive military expenditures has been structural and cumulative. After World War II the United States was the only major industrial country that was essentially untouched by wartime destruction, and it possessed a huge lead in science and technology. Such a lead does not disappear overnight. Nor does the neglect of productive industrial investment have immediate effects. Our technology-based advantage in productivity growth could not be sustained in the face of the high-level "internal brain drain" of technologists described above. However, a substantial time lag was inevitable before the effects of that drain surfaced in a dramatic and ongoing fashion.

Since inflation is a removal of purchasing power and hence a form of taxation, and since military spending has been and continues to be a prime cause of inflation, then clearly military *spending* itself is a tax. Thus, the operation of the military system involves double taxation. Taxpayers lose purchasing power first as dollars are taken away in the form of direct "military tax," then again as the money confiscated is spent in such a way as to generate inflation, removing part of the value of the dollars the taxpayers have left.

The Ultimate Tax

If the essence of taxation from the viewpoint of the taxpayer is the forcible removal of control over goods and services, then the ultimate tax is the governmental confiscation not simply of money, or the value of money, or even direct goods and services, but rather of human beings themselves. For this form of taxation expropriates control over the most fundamental of human resources prerequisite to the consumption of all goods and services—time, labor, day-to-day existence, even life itself. Among all the branches of government on all levels, there is only one in the United States that has ever been permitted to levy this ultimate tax on citizens of this nation, and that is the military. It is called the selective service or, more commonly, the draft.

[15]Council of Economic Advisers, *Economic Report of the President* (Washington, D.C.: Government Printing Office, 1977, 1978, 1979, and 1980 editions).

Rebellion against excessive, unrepresentative taxation has been a continuing thread in U.S. history since colonial days, and resistance against forcible conscription has been a part of that same thread. The post-World War II innovation of a draft system that could levy this ultimate tax not only during periods of constitutionally declared war but also during peacetime was especially contrary to this tradition. As Nobel laureate George Wald put it in a speech in 1969:

> A peace-time draft is the most un-American thing I know. All the time I was growing up I was told about oppressive Central European countries and Russia, where young men were forced into the army; and I was told what they did about it. They chopped off a finger, or shot off a couple of toes; or better still, if they could manage it, they came to this country. And we understood that, and sympathized, and were glad to welcome them.[16]

By the operation of this "peacetime" system since 1945, the government of the United States has taxed away not only the economic resources, but also the lives, of thousands upon thousands of its citizens, and the physical and psychological health (and thus a good part of the future) of many thousands more.

Even in purely economic terms, the losses in terms of productive economic opportunities forgone have been tremendous. But, perhaps the most pernicious aspects of this power of ultimate taxation are its fundamental unfreedom and its contribution to military adventurism. The existence of large, standing, and, as we have seen, well-financed armed forces creates both a tendency to lower the threshold of military response to national and international events, and an ongoing vested interest on the part of the managers of these forces to find something for them to do.

The former effect can be seen in a straightforward economic context as the result of lowering the "start-up" costs of a military action. While it is true that a large, standing volunteer armed force also substantially lowers such initial costs, as compared to a situation where little ready armed force was available quickly (and hence is to be avoided), an ongoing draft lowers these costs much further. Even more importantly, the draft provides a quickly activable standby mechanism to rapidly augment this force, thus permitting

[16]George Wald, "A Generation in Search of a Future," speech at Kresge Auditorium of the Massachusetts Institute of Technology (March 4, 1969), reprinted in *The Rhetoric of No*, ed. R. Fabrizio, E. Karas, and R. Menmuir (New York: Holt, Rinehart and Winston, 1970), pp. 106-7.

more extensive, longer-duration military involvements than could otherwise be sustained. The draft also subverts the "market test" of the advisability and popular support of such adventures that reliance on voluntary recruitments would naturally provide.

It might seem, as it has in fact been argued, that the operation of an ongoing draft system lowers the cost of maintaining the appropriate level of military force and so is an efficient means of providing this force. Indeed, it may seem as though the arguments given here support that contention. In fact, that is highly unlikely. It may well be that the obvious costs, the costs directly seen and taken into account by decision makers, are much lower, but the true total present and future social costs are almost certainly and demonstrably far larger under the operation of the "draft tax." Precisely because of its contributions to the erosion of freedom, the likelihood of military response, and because of its considerable economic opportunity cost, it is socially an exceedingly costly procedure. The fact that it is highly likely to result in a serious undervaluing of the costs of military action by decision makers is, of course, a major disadvantage. It is not reasonable to expect that socially optimal decisions are likely under conditions of such value distortion.

Seen in this light, the present effort to reinstitute mandatory registration for the draft is ill advised. It is yet another in a long series of governmental efforts to unjustly expropriate private sector resources in order to sustain excessively large and intrusive government programs. And it is a particularly pernicious one because it confiscates not merely resources or property but people themselves.

To those who would argue that registration for the draft is merely a formal "readiness" procedure and will not actually lead to activation of the draft system, I would pose the following set of questions:

If activation is not intended, of what value is registration?

How often have registration systems been set in motion without any registrees being drafted?

How much time has elapsed in the past between the institution of draft registration and involvement in a shooting war?

How many instances have there been in the United States where the government (particularly the federal government) has been given the taxation authority and set up an in-place mechanism for collecting the tax where the tax has not been actually levied—or even not been increased over time?

Draft registration makes sense only if draft activation is a serious possibility—and draft activation is the ultimate tax.

Summary and Conclusion

Federal income taxation is far and away the greatest burden on individuals, and the major fraction of that burden goes to finance military expenditure—an estimated 44 cents to 63 cents of every personal income tax dollar. Thus the direct "military tax" on individuals is from 10 percent to 58 percent greater than the property tax that has been the subject of the Proposition 13-type tax revolts. Furthermore, it has been argued that the military tax burden is unequally distributed geographically, demographically, and politically, as is the return flow of military expenditures. Some signs of congressional influence were briefly considered.

Looked at from the point of view of a taxpayer, inflation is also a tax, since it involves an involuntary removal of purchasing power. Military expenditure itself has been a major cause of inflation primarily through its long-term role in undermining the productive efficiency of U.S. industry. Thus the military system levies a double tax. First, it confiscates substantial amounts of direct tax dollars, and second, it spends those funds in such a way as to generate inflation, thus removing even more purchasing power from taxpayers.

In addition to its levying of a financial double tax, the military system has been the only branch of government in the United States to collect the ultimate tax, the confiscation not simply of money or purchasing power but of a fraction of the human beings who are the nation's citizens. This form of taxation is not only inherently pernicious in that it is unfree, and hence contrary to basic American values, but also in that it contributes to the likelihood of unwise military involvements—involvements that can impose and that have imposed huge economic, political, and social costs on the people of this country.

It should be clear from the present analysis that the military system is quantitatively and qualitatively the major source of taxation in the United States. It is thus inconsistent, even counterproductive, to protest the growing fiscal tax burden or to call for strong action against the inflation tax, while at the same time supporting further expansion of military expenditure, now proceeding at rates substantially above the growing and largely military-generated rate of inflation. For unless this expansion is rapidly halted and reversed, the full tax burden will surely grow despite the best-intentioned popular efforts to reduce it.