

The Paradigm Shift of 1913
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The national debt of the United States of America just exceeded 19 Trillion dollars – but this essay is not about the debt.

There is a growing movement to repeal the 16th Amendment, eliminate the personal income tax, and eliminate the Internal Revenue Service – but this essay is not about the IRS and it's not about the income tax.

This essay is about the dynamics of self-service and how selfish men reinvented an entire nation for their own benefit.

The paradigm shift occurred with the adoption of the 16th Amendment; the association in time is relevant, but to fully understand the dynamics, we need to explore how the federal government was funded in 1912 – before the personal income tax.

In 1912, the federal government had been funded for 123 years by a combination of tariffs, excise taxes, and apportionments. I know, I know. This could get really boring – but, again, this essay is not about taxes. We just need some background.

Most people know what tariffs and excise taxes are, but not many are aware of the apportionment process. It worked like this. Every year, Congress would pass a budget, after which one of three possibilities existed: Treasury had enough money to cover it, not enough money, or exactly enough. Well, the last one never happened so there were really only two situations: *enough* and *not enough*.

Set that knowledge aside for a moment and examine how money is spent in Washington. According to the Constitution, *The People's House*¹ is the only place where bills that end up spending money can be initiated. Add to that knowledge the short, two-year term of the Representative.

BAM!

The previously subtle dynamics of the situation become crystal clear. Every two years the guy who went to Washington as the people's representative would have to come back and explain the budget and his vote.

Okay, now go back and get those two possible situations with the treasury and the budget: *enough* and *not enough*. If the representative came back and reported that there was enough, he was lauded. But if he came back and said that there was not enough, he had to tell the people to put up the rest of the money: That's apportionment. Each state, through each house district, had to raise the money to pay for the *not enough* part of the budget.

Voting to approve more spending was uncomfortable for the representative; it was supposed to be. The representative might be able to explain his way out of it, but the bottom line was ... the bottom line.

In 1913, all that changed. The 16th Amendment passed, ushered in by Howard Taft (R), and the IRS was created. All of a sudden, the representative was absolved of his duty to report the *not enough* part of the budget, but most importantly, he didn't have to ask the people for money. He didn't have to be the one who was held responsible.

¹ The House of Representatives was first referred to as *The Peoples' House*. It was the only part of the government that answered directly to the people for its actions.

Instead, the representative was able to come home with what would soon be known as *free money*: federal money to build schools, roads, airports, and anything else he could wangle. The *not enough* part in his report to the people became the *We can build something nice and not have to pay for it* report. Of course that was a shell game, but only the most astute voter was able to figure out that the money coming back was just their own recycled income tax. The dynamic in Washington became a contest among the representatives to see which one could bring back the most money instead of trying to avoid the formerly unsettling *not enough* report.

By replacing the tax bill with *free federal money*, the paradigm had shifted from very personal accountability for the representative's action to what amounted to a team sport of spending their people's money. A sport played to the cheering of those brought to financial slaughter by their own players.