

Hamilton's Folly

In Federalist Paper number 31, Alexander Hamilton attempts to refute opponents' of the Constitution view that the power of the proposed national government to tax is too strong and should be checked. Hamilton argues that the federal government must have unlimited taxation power to correspond with its unlimited possibility for "exigencies"¹ to arise and demand federal action. The Anti-Federalists argued that such unlimited power to tax would result in an eventual federal monopoly of taxation². To the credit of the Anti-Federalists and the discredit of Alexander Hamilton, the Federal government has tended to increase taxation to a level where it has eroded the states' tax base and only time will tell whether the Federal Government will eventually acquire a monopoly of taxation.

Alexander Hamilton asserts in Federalist Paper # 31 that the new Federal government must possess unlimited powers to tax³. His reasoning is that there are unlimited possibilities for emergencies to arise that the federal government must take care of. He writes, "As the duties of superintending the national defense and of securing the

¹ Alexander Hamilton, "Federalist Paper # 31", The Federalist Papers, (New York, Penguin Books USA Inc., 1961), 195.

² Hamilton, 196.

public peace against foreign or domestic violence involve a provision for casualties and dangers to which no possible limits can be assigned, the power of making that provision ought to know no other bounds than the exigencies of the nation and the resources of the community.⁴" Hamilton thought that no other check of tax power was needed but periodic elections⁵. This opinion, among other things, fails to take into account the power that the federal government has to borrow money when necessary from the private sector. In case of emergency, the national government has an authority to go into debt at will or take a loan, as it were. This is just the kind of temporary solution that national emergencies require, and without the same problems of permanence, as the next Congress must formulate a new budget anyway. It is simple for them to eliminate the deficit and begin the process of repaying the debt.

According to Hamilton's document, the Anti-Federalist opposition asserted that a federal government with such unlimited power to tax would resort to usurpation of the states' and people's power⁶. He describes their view, "But an indefinite power of taxation in the [national government] might, and probably would in time, deprive the [states] of

³ Hamilton, 195.

⁴ Hamilton, 195-196.

⁵ Hamilton, 196.

the means of providing for their own necessities; and would subject them entirely to the mercy of the national legislature⁷." These Jeffersonians worried that the very ability of the states to tax their residents would be overshadowed and impeded by a federal government, if it were given such broad tax power as was proposed. This is a quite logical assumption, seeing that those men who have both power on this earth and the ability to increase it most often do. Now let us see with whom history has sided.

History has shown that the federal government, with such an unlimited power to tax, has invariably proceeded to increase taxation chronologically and that the times when taxation increased the most corresponded with times of national emergency. However, the tax laws did not revert after the emergencies subsided in most cases. Not long after the federal government was established, and under Hamilton's direction, it instituted an excise tax on whiskey, which usurped individual freedom to the ruin of many farmers west of the Appalachian Mountains. The pretext was a federal debt incurred by the War for Independence and it was repealed only after American blood was spilled in western Pennsylvania. The federal government raised taxes to support the war effort during the Civil War, without

⁶ Hamilton, 196.

⁷ Hamilton, 196.

reverting at its closure⁸. When America was preparing to enter the First World War the federal government amended the constitution to allow for a federal income tax "from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration⁹." When this "crisis" was over the federal government retained its power to tax incomes in peacetime. The federal government again raised taxes to pay for its vast expenditures during the Great Depression, without removing either the programs or the taxes when America finally came out of depression after the Second World War.

The present situation between the states and federal governments is subjugation of the former to the latter. The tax base of the state governments is eroded by federal income taxes that average about forty percent of individual incomes. The state governments must depend almost entirely on the federal government for expenditures such as highway funds and unemployment allotments. The federal government has used this power to bully states into changing their laws, like when it threatened to relinquish highway funds to states including West Virginia and Louisiana unless they raised their required drinking age to twenty-one years.

⁸ C3C Stephen Wilson.

⁹ Clinton Rossiter, ed., Article XVI, "The Constitution of the United States of America", (New York, Penguin Books USA, Inc., 1961), 546.

The nightmare of the Anti-Federalists has come true. The federal government, given unlimited power to tax, has usurped the authority of states and individuals gradually by using Hamilton's "exigencies" as an excuse to raise taxes and implement tax laws, but has not repealed them. Now state governments rely completely on the national government for many funds. Regular elections did not suffice as a check of federal intrusion and the only solution now is to finally limit the federal government's power to tax by altering the Constitution. History has disproved Federalist Paper number 31.