tion range of 18 years to 25 years, railroad tank cars, mobile homes, and theme parks, all could be written off in 10 years with a one-time 10% investment tax credit allowed; and finally, public utility property with a current depreciation range of more than 25 years, and all other buildings, could be written off in 15 years, with a 10% one-time investment tax credit allowed.

This allowed some accelerated depreciation of what we would consider to be useful plant and equipment. But, on the other hand, it led to a huge accelerated depreciation of computers and mostly office equipment, whose effect on the economy was minimal to zero. Also, the depreciation was often packaged with leasing arrangements, so that companies could skip out on a lot of their taxes.

- It liberalized leasing laws to make it easier to transfer investment tax credit and accelerated depreciation benefits to businesses that could use them. The generalized spread of leasing created a new tax scam. Companies with clever accountants could figure out, through leasing, how to shelter and avoid taxes.
- It increased from 15 to 25 the maximum number of shareholders a small business could have and still retain the option of having its individual shareholders, instead of both the shareholders and corporation, taxed on income.
- It massively increased Individual Retirement Account (IRA) and Keogh (self-employed) retirement plans, which shelter income from taxes. It increased to the lesser of $2,000 or 100% of compensation, the amount an individual could deduct for annual contributions to a tax-exempt IRA plan, and increased from $7,500 to $15,000 the amount a self-employed

KKK backer started the 'budget process'

Prior to 1921, the government of the United States did not have a federal budget. The Executive and Legislative branches of government did not concern themselves with the accounting procedure of balancing revenue against expenditures. In today's terminology, those former elected officials might have considered that to be an exercise in "virtual reality." Seventy-five years later, the budget-balancing process has caused the shutdown of the federal government, and consumes most of the time of Congress. And, it doesn't work.

Maybe our forebears knew something that today's Conservative Revolutionaries have overlooked. Or, more precisely, perhaps those Revolutionaries have a governmental philosophy totally antithetical to that of our Founding Fathers.

What do the federal budget process, the Ku Klux Klan, the Federal Reserve Act, and the League of Nations have in common? They were all sponsored by Woodrow Wilson.

Wilson's sponsorship of the KKK, the League of Nations, and the Federal Reserve occurred during his Presidency. His advocacy of a budget procedure began in 1884, when, as a university professor, he wrote *Congressional Government.* The book is an assault on the U.S. Constitution and an embrace of British parliamentary and administrative procedures.

Wilson attacks budget surpluses

Some of today's budget-cutters would be aghast to learn that the father of their cause actually attacked the frequent budget surpluses of the U.S. government! Wilson stated, "From almost the very first they [Congress] have had boundless resources to draw upon, and they have certainly of late days had free leave to spend limitless revenues in what extravagances they pleased. . . . The chief embarrassments have arisen, not from deficits, but from surpluses." He continued, "The object of our financial policy, however, has not been to equalize receipts and expenditures, but to foster the industries of the country." He then praised the British Chancellor of the Exchequer, for whom "the support of the government is everything," and attacked the U.S. House Ways and Means Committee, for which "the care of the industries of the country is the beginning and end of duty." Wilson boasted that he was among the "first Americans . . . to entertain any serious doubts about the superiority of our own institutions as compared with the systems of Europe."

Therein lies the purpose of the budget process. It has nothing to do with deficits or household budgetary methods. It has always been an attack on the federal government's support for the conditions of physical economic growth.

How is it that the U.S. government, prior to Wilson and his cronies' imposition of a "budget process," managed to generate those horrible surpluses? There was no consolidated Executive branch budget. Each department—Agriculture, Interior, Navy, etc.—simply sent its individual budget to its parallel authorizing committee in Congress. And each committee authorized what the department needed. Coupled with the American System policies of internal improvements, protective tariffs, and government-generated cheap credit for production, this produced a surplus.

Wilson's British sponsors set out to transform the U.S. government, into a debt collection agency for the financial oligarchy. While the machinations were in progress for the imposition of the other elements of the coup, namely, the individual could deduct for contributions to a tax-exempt Keogh retirement plan. Kemp and Roth said that these lavish tax breaks encouraged savings; many tax experts disagreed, saying that the money would have been saved anyway, without the IRA-Keogh tax breaks, which lose billions in tax revenues for the U.S. government.

- It vastly increased the exemption for the wealthy on estate taxes. It increased gradually, from $175,625 to $600,000 by 1987, the total amount that would be exempt from estate and gift taxes. By 1987, less than 1% of all estates would be taxed.
- These tax law changes, and some additional ones, created a bonanza for "investment partnerships." "Passive investment partnerships" were set up, whereby one could invest $1, and get back $2-4 in tax losses to apply against one's taxes.

Federal Reserve System and the income tax, a series of commissions was established between 1910 and 1920, demanding that the inefficiencies of representative government be replaced by "scientific" methods of fiscal management. By 1921, a Bureau of the Budget was established, under the directorship of Charles Dawes (whose infamous "Dawes Plan" ensured the wrecking of the German economy in the 1920s, and thus abetted the later rise of fascism). And so, the federal budget was born.

Congress capitulated by establishing the Appropriations Committee as a buffer between federal departments and their authorizing committees. We have gone one step further today, by placing the House and Senate Budget committees in authority over both the authorizing and appropriations committees.

Subverting representative government

The purpose has always been one of severing elected officials from economic policymaking, and handing power over to the financial elite's "administrators." William F. Willoughby, a member of one of those early commissions, admitted in a 1934 book, "It is desirable to point out the great possibilities that are embraced in a system determined by an outside organization which has no legal status and has no control other than that which it is willing to impose on itself." Fifty years earlier, Wilson had declared, "Probably the best working commission would be one which should make plans for government independently of the representative body."

Or, as Rep. John Fitzgerald (D-N.Y.) insisted, in fighting the 1921 creation of the Bureau of the Budget, "Many who are urging the adopting of a budget in the U.S. are really in favor of a very revolutionary change in the whole system of government."

The Conservative Revolutionaries would agree.

—*Susan Kokinda*

This provision was massively exploited by the ADL-linked real estate interests.

The Joint Tax Committee, a bipartisan committee that evaluates the impact of all tax bills put forward in Congress, estimated that the Kemp-Roth "Economic Recovery Tax Act" would reduce federal tax revenues by approximately $749 billion over the five-year period from FY 1982 to FY 1986. The retort of the Kemp-Wanniski-Laffer-Mundel wise guys was that this would stimulate the economy on the "supply side," generating growth, and thus would increase the tax revenue base. But, as can be seen from a review of some of the leading tax cut features of Kemp-Roth, the thrust of the act was to increase speculation in real estate, leveraged buyouts in the stock market, and other forms of speculation. Combined with the reduction in the capital gains tax rate, Volcker's high interest rates, and the 1982 Garn-St Germain deregulation of the banking system (see below), Kemp-Roth led to a ballooning of the speculative financial bubble and a withering of the physical economy, which threw the budget deeper into deficit.

Banking deregulation

On Oct. 12, 1982, one year after the Kemp-Roth Act passed, the Garn-St Germain Depository Institutions Act, which deregulated the banking system, was signed into law. Sponsored by Sen. Jake Garn (R-Utah) and Rep. Fernand St Germain (D-R.I.), it deregulated the entire banking system: the commercial banks and the savings and loans institutions. Vice President George Bush had been the head of a White House committee which studied, recommended, and oversaw banking deregulation. Previously, S&Ls had been restricted by law from investing more than 5% of their loans into commercial real estate. Now, that restriction was lifted entirely. This freed up liquidity for investment in the real estate partnerships and trusts set up under the Kemp-Roth Act, which, thanks to Volcker's forcing up interest rates, set rates of return in real estate at 20% and above per annum.

Moreover, the Garn-St Germain Act, coupled to the Volcker high-interest-rate regime, led to the bankruptcies of the S&Ls during the 1980s. During the 1970s, S&Ls made 20- to 30-year mortgage loans at interest rates of 3-5%. But when the prime lending rate averaged nearly 19% in 1981, the S&Ls had to be prepared to offer 15-16% on interest-bearing savings accounts and certificates of deposits. They had to pay 16% short-term, but were only earning 3-5% long-term—a formula for bankruptcy. Originally, many S&Ls fought the Volcker high interest rates politically. But, the Garn-St Germain Act enlisted the S&Ls in a scheme to recoup their money in quick-buck, high-yield commercial real estate deals, which previously had been off-limits.

The Garn-St Germain Act also allowed the S&Ls to shovel money into the stock market leveraged-buyout fever, which the Steiger Act had helped create.

It should be noted that the Kemp-Roth Act proved to be such a fiasco, that, led by Bob Packwood (R-Oreg.), the Senate passed the Tax Reform Act of 1986, to revoke, fully or