tion called "production of goods and services" and instead of decreasing inflation, the result is increasing inflation.

What happens when we apply our income tax increase? Obviously, some taxpayers have but one place to obtain the money to pay the new tax: They spend less—for awhile. Then they decide to press for more pay to cover the increased taxes, plus a little extra to cover the higher prices which come with the inflation. They have then managed to shift the burden of the taxes from the "spending" money onto the "production" money, except for that portion which the producer himself can put into his price structure, as added inflation.

Other taxpayers—those with savings—follow a different procedure. They simply dip into their savings to pay the extra tax. Or they buy a little less insurance next year. Either way, they have placed the tax increase directly against the "production" money of the economy, because it is these savings accounts and insurance policies that provide the "production" capital for the economy.

Eventually, nearly all of the tax increase falls onto the capital money supply, the "production of goods and services." The remainder goes into inflation, in either of two ways: (1) Prices are raised as the market will allow, and (2) interest rates rise, as the supply of production money is reduced.

Proponents of the tax increase sometimes say that interest rates will rise if taxes are not increased. The fact is, that if taxes are increased, interest rates will rise as a result.

The events just projected will depend on what the Government does with the tax money it collects. If it should use the money to pay off Government debt outstanding, it would be a case of returning the money to the same part of the economy from which it came: The capital savings, or "production" money flow. In that case, the effect on the economy would be zero.

But we know that this is not what the Government wants to do. On the contrary, the Government is not paying off debt, but expanding it. It is not putting anything into useful production of goods and services, it is spending; using up; consuming.

It is consuming at a rate never before equaled by all the governments of the world put together. It is even creating a whole new class of nonproductive spenders. Our President has added over half a million additional employees to the Government payroll, and their major service is to channel Government expenditures to additional millions of recipients of taxpayers' funds who are themselves nonproductive spenders.

It is proposed to spend an additional $3 billion providing make-work jobs for idle hands in the riot-scarred cities. Perhaps this effort will prove to be socially productive, but in terms of economics, it will not produce goods and services that people want, and are willing to pay for. No, it will simply add that much more "spending" money to the inflationary flow.

Our Government does not save; it does not invest; it does not produce. It consumes. And it wastes.

In the channel at the North Vietnamese Port of Haiphong is a huge, irreplaceable dredging machine. It works 24 hours a day, keeping the channel free of the mud that threatens to clog up the channel. A single