

A Tax "Revolt"

To Redirect 20% of Federal Income Tax Revenue to City Governments

A Memorandum from Seymour Melman and Marcus Raskin.

Exploitation of New York City by the Federal Government has been a feature of the Cold War period. By 1987, the New York City annual federal tax payments assignable to the Pentagon's operations were \$5.4 billion in excess of the Pentagon's expenditures in the City. For New York state as a whole the net outflow to the Pentagon was \$13.6 billion. This compares with other states that received net *inflows* in their relation to the Pentagon, owing to concentrations of military production, Research and Development and bases. New York has been the largest state source of net Pentagon funding — as further illustrated in the attached article, "The Federal Connection." Among the states and cities that gained income from the Pentagon, benefits included major investment in "high tech" industry and added purchasing power for their citizens.

The consequences of intensified exploitation are now visible. New York City is left with distressing choices: which emergency hospital rooms to close; which lights to put out; which streets to leave uncleaned; which schools to leave unrepaired. Continued extraction of large capital funds from the city disables both public and private bodies from investing in industrial and other economic development. This leads to larger underemployed and unemployed populations.

The course of federal policy with emphasis on a very large military establishment promises a continuation of this pattern (1992 projected federal Outlays include \$415 billion for Defense, other military agencies, and indirect military costs). The Federal Executive is dominated by the top managers of the military economy, and the President is CEO of that management. They will protect their power by sustaining the scale of military economy and their priority to the use of armed forces as a policy instrument.

The Congress, whose Members are closer to the conditions and problems of American cities, nevertheless supports the present structure of government activity and funding. Many Members of Congress have been partially transformed into marketing managers for military industry firms, bases and laboratories — assisted by the Pentagon's contract and base allocation policy that carefully distributes Pentagon dependency among Congressional districts. *Congress will change only if there is a powerful external force which compels a change of course.*

A split in the ruling Establishment is visible following the Gulf War. Establishment thinking that favors a domestic emphasis is reflected in *The New York Times* (Op. Ed.) by William G. Hyland, "Downgrade Foreign Policy," May 20, 1991. The more militarized wing of the Establishment is well-represented by Colonel Harry G. Summers, Jr., "How to Be the World's Policeman" in *The New York Times*, May 19, 1991. Even after the end of the Cold War, the inertia of war-oriented institutions will continue, unless a powerful force reshapes them.

A tax revolt alliance designed to withhold one-fifth of federal income taxes, to be placed in escrow with a city agency named by the Mayor, will enlist cooperation from a wide range of institutions — from trade unions and professional societies to contractors and trade associations — all of them with a visible stake in the prospect of large new civilian construction, employment and related activity.

Debate/action on a tax revolt should have a significant effect on the course of the 1992 election. The tax revolt goal with its expanded public (and private) investment and employment, will checkmate the racist divide-and-rule campaign ("job quotas") now in progress on the Republican side, and give a constructive orientation and opening to candidates on the Democratic side.

The mechanism of tax revolt can start with a series of briefings by the Mayor to key groups in the city, followed by a full dress public announcement that will serve to spread the word immediately from coast to coast. Preparations must include the designation of a city government body to receive and issue receipts for "My Federal Tax Share to the City of New York" and to hold the withheld tax, which will be allocated by the City government. Across the country, the Tax Revolt will mean: I choose to assign one-fifth of my federal income tax to my city, to be used to improve our schools, streets, city facilities and services for our people.

Rule violation by a few entails law enforcement. Rule violation by millions is politics.

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