

The Relation of Income Taxation  
to  
Tax-Exempt Bonds

Those opposing drastic income taxation claim that if taxes on incomes are made high, money will hide in tax-exempt bonds.

We claim that as the tax-exempt bonds now in existence have been purchased, money had already been hidden in them; that now, if A buys, B must sell - that is, if A's money goes into the bonds now in existence, B's money must come out; that the only way for additional capital to hide in tax-exempt bonds is through the issuance of additional tax-exempt bonds. If income taxes are made high enough, no more tax-exempt bonds will be needed.

Hence, any objection to the hiding of capital in tax-exempt bonds is an argument for drastic income taxation - not against it.