

from

**Was Grandpa Really a Moron?**

**Critical Inquiries for a New American Century**

by

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**On Ignorance, The Income Tax, And The Federal  
Reserve**



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*"There is nothing more frightening than active ignorance."*  
~ Johann von Goethe

While doing a radio show recently, I encountered a caller who nicely illustrated the widespread phenomenon known as GIGO-- Garbage In, Gospel Out. This fellow had called in to explain to me that the income tax was created in order to conceal the nefarious workings of the Federal Reserve. He was equipped with a number of attendant notions about the how the tax was applied, and so forth, all of which partook of its underlying, Federal Reserve-related purpose. The whole package of certain knowledge with which this caller was animated was based, or rested heavily, on the "fact"-- clearly never investigated or even questioned-- of the tax's birth in 1913, the same year the Federal Reserve Act was passed.

However, the tax actually began in 1862, of course-- 51 years before the Federal Reserve Act. As is noted in the preamble to the 1939 Internal Revenue Code:

*The Revised Statutes of the United States and the Statutes at Large of the United States are the sources of*

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*the law codified. The Revised Statutes cover the period ended December 1, 1873. The Statutes at Large codified cover the period following December 1, 1873, and are published in the 35 volumes numbered 18 to 52, inclusive. The separate enactments carried into the internal revenue title, wholly or in part, from the Statutes at Large are 143 in number, exclusive of 93 statutes involving express amendment, reenactment, or repeal. The 277 Revised Statutes sections codified were derived from 21 basic statutes. The whole body of internal revenue law in effect on January 2, 1939, therefore, has its ultimate origin in 164 separate enactments of Congress. **The earliest of these was approved July 1, 1862**; the latest, June 16, 1938." (Emphasis added.)*

Even a brief glance at the derivation tables of either the 1939 IRC or the current 1954-1986 version will make clear that something on the order of 40% of the underlying body of "income" tax law pre-dates the federal reserve act. The imposition of the tax had nothing whatever to do with the Federal Reserve Act. Nor did the adoption of the 16th Amendment, which was submitted to the several states for ratification in July of 1909, well before the November, 1910 meeting at which the Federal Reserve was conceived.

Ironically, though, the very confusion from which my caller suffers about the "income" tax serves to conceal a probable nefarious reality about the Federal Reserve of a somewhat similar character to what he misunderstands about the tax. The fact is, while the tax was not adopted to conceal the ill effect of the Federal Reserve-- nor in any other way responsive to the as-yet unconceived central banking cartel-- the Federal Reserve System WAS almost certainly a response to the 16th Amendment, being a mechanism cleverly crafted to ameliorate the threat posed to the banking interests by the impending adoption of the amendment .

It must be remembered that the amendment's sole function is to bring the gains of national bankers (and others of

the "Robber Baron" class) into the range of the tax by closing the Pollock Court loophole. As is pointed out in testimony by F. Morse Hubbard, legislative draftsman for the United States Treasury Department:

*"[T]he amendment made it possible to bring investment income within the scope of the general income-tax law, but did not change the character of the tax. It is still fundamentally an excise or duty with respect to the privilege of carrying on any activity or owning any property which produces income."* House Congressional Record, March 27, 1943, page 2580;

and by the United States Supreme Court repeatedly over the decades:

*"The Sixteenth Amendment, although referred to in argument, has no real bearing and may be put out of view. As pointed out in recent decisions, it does not extend the taxing power to new or excepted subjects..."* Peck v. Lowe, 247 U.S. 165 (1918)

and

*"The legislative history merely shows... ...that the sole purpose of the Sixteenth Amendment was to remove the apportionment requirement for whichever incomes were otherwise taxable [due the legal character of the activity by which the gains involved were generated]."* South Carolina v. Baker, 485 U.S. 505 (1988)

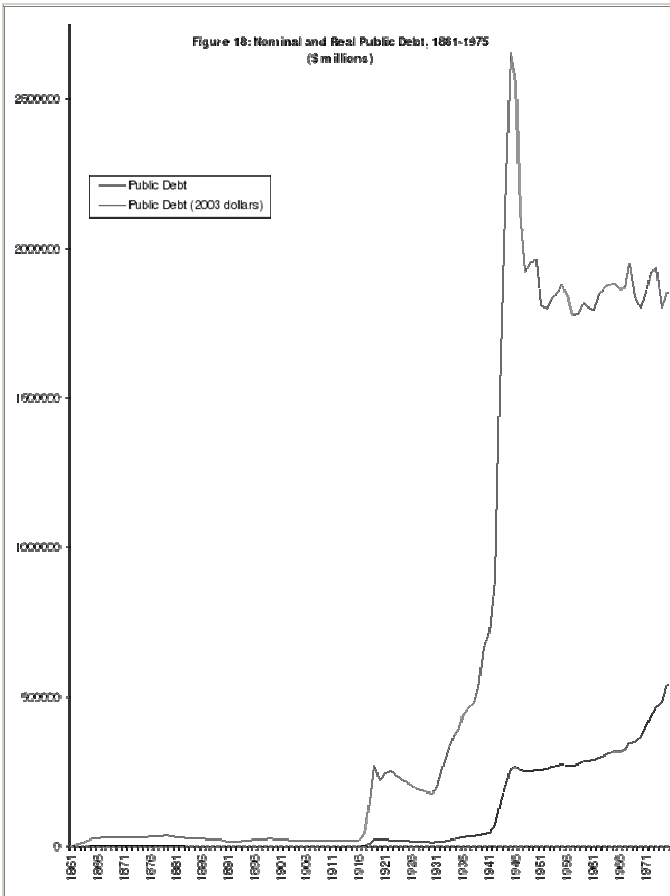
Thus, the impending 16th Amendment promised to put a big hole in the otherwise unhindered and untaxed wallowing of that class in the very profitable intermingling of private interests and public power. It is highly likely that the Federal Reserve System (FRS) was dreamt-up by the banksters as a countermeasure by which the losses they were about to suffer from the "income" tax would be made up, at least in part, through the gains from exploiting the provisions of the FRS.

The supreme irony of the whole affair is that-- due in large part to confident ignorance about the "income" tax such

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as that demonstrated, and doubtless widely spread, by my caller-- it was only a matter of a few decades before we ended up with the vast bulk of the American people being fooled into unnecessarily paying the tax themselves. As a consequence, the financial burden on the much smaller group at whom the 16th Amendment was actually directed-- the banksters and their ilk-- is a great deal less than it otherwise would be. At the same time, we still have the legislative outrage originally intended to insulate its creators from that much higher burden which they had fully expected to be paying-- the Federal Reserve system-- steadily stealing wealth from all the rest of us for the benefit of those creators anyway!

What's more, the offsetting benefit offered by the Federal Reserve scam to the bankster class and its symbiotes is only maximized when the federal government is throwing money around in serious excess of current revenue streams (deficit spending). The acceptable justification for such excesses at the time the Federal Reserve Act received Woodrow Wilson's signature was war, and practically before that signature was dry there was a doozy of a war lined up (World War I, launched in 1914, entered by United States in 1917). The banksters and their ilk never looked back, and America has had endless war ever since (supplemented by the birth and various molts of the high-spending welfare state apparatus, as well). You can see how this has worked out (this graph only takes us to 1975; were it to go to present day, it would have to be MUCH taller...):



Source: EH.net: Nominal figures from "Principal of the Public Debt, Fiscal Years 1790-1975," *Annual Report of the Secretary of the Treasury on the State of the Finances, Statistical Appendix*. (Washington, DC: Government Printing Office, 1975), 62-63; real figures adjust for inflation and are provided by Robert Sahr, Oregon State University.

[http://oregonstate.edu/Dept/pol\\_sci/fac/sahr/sahrhome.htm](http://oregonstate.edu/Dept/pol_sci/fac/sahr/sahrhome.htm).

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There are two obviously important lessons to be learned here. One, of course, is that as we each step up to do our fair share on behalf of the rule of law by confining the "income" tax to its proper limits personally, we simultaneously help to restore

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a proper balance between the power and benefit of privileged moneyed interests and the rest of us in the aggregate.

The other is that scrupulous accuracy of information; and scrupulous and skeptical care in adopting the pronouncements and conclusions of those who claim knowledge; are of paramount importance for Americans trying to look after their own interests and properly supervise their agents. Bogus information must not only not be adopted, it must also not be left uncorrected, because the errors harbored by others can easily affect each of the rest of us.

There is a vast body of nonsense specifically about the 16th Amendment being used to protect the status-quo described above, of course. But every other error and misunderstanding about the "income" tax generally, and other matters of government, citizenship, law and so forth which clutter the landscape do so as well-- some directly and obviously, others by simply degrading the overall "signal-to-noise ratio", and making clarity of thought a struggle, if not an impossibility.

Fight them all.