
Montana Tax Strikers and Me

By Editor Test *Sun, Mar 17, 2013*

While writing a check last week for my 2012 federal income taxes, I couldn't help remembering a bunch of militant Tax Strikers from Whitefish, Montana. Unlike them, I am not bitter about the income tax. I've made my peace with it. Seriously.

When I was a cub reporter covering the U.S. District Court in Billings, Montana, I encountered a cabal of men from Whitefish—a small town near Glacier Park in the northwest corner of the state—who called themselves Tax Strikers.

These strict Constitutionalists, vaguely associated with the home-grown militias that were popular at that time, had mailed an open letter to the federal judge—a rangy, stern, red-haired former Republican Congressman—in which they declared the illegality of the income tax and their intention not to pay it.

In Montana at that time, such eccentrics lived under almost every rock and tree. The sprawling, majestic state was an unofficial asylum for non-conformists from the crowded East. With all that open space, their anti-social tendencies easily went unnoticed.

The Unabomber, for example, once lived in a cabin near Lincoln, Montana.

So, when the Tax Strikers issued their manifesto, the effect was as momentous as the fall of a Ponderosa pine in a National Forest with no one around to hear. The federal judge ignored it. He ignored a follow-up letter and a third one as well.

Out of frustration at their inability to provoke a response, the would-be revolutionaries turned desperate. They threatened to take a mailman hostage. The court reluctantly stirred. One of the assistant U.S. Attorneys wrote up a complaint. A U.S. marshal drove to Whitefish to serve a summons.

While writing a check last week for my 2012 federal income taxes, I couldn't help remembering those militant Tax Strikers from Whitefish. Unlike them, I am not bitter about the income tax. I've made my peace with it. Here's why.

I've accepted the idea that the main purpose of the federal income tax is to control inflation. Federal tax—but not state or local tax—extinguishes money that would otherwise stay in circulation and drive up prices.

Wait—there's a method to my madness. Contrary to conventional wisdom, it seems, spending comes before taxes, not the other way around. I've learned this from reading American history.

Before, during and after the Revolution, a variety of governmental bodies spent paper currency into existence. Recognizing the inflationary potential for such a policy, they arranged to pull some of money back out of circulation each year by levying taxes that were payable in that currency.

Here's one revealing anecdote. In 1766, the late treasurer of colonial Virginia, John Robinson, was found to have taken paper money tax receipts that he was officially *required to burn* and instead permanently "loaned" the cash to his friends among Virginia's elite. The ensuing scandal briefly threatened to undermine the legitimacy of the colonists' protests against England's hated Stamp Act.[\[i\]](#)

Here's another, more famous example. To fight the Revolutionary War, the Continental Congress issued a lot of bonds and paper money to pay for supplies and salaries. After the war, the government had to find a tax revenue stream in order to redeem the bonds. It did. It wrested the right to tax imports and exports away from the states.

Many people were unhappy with that arrangement, even though the new national government assumed the states' war debts. But Alexander Hamilton, the first U.S. treasurer, had the epiphany that the central government would be helpless if it had to beg for revenue every time it needed money to pay for the things Congress had already voted to pay for.[\[ii\]](#)

What difference does it make if spending precedes taxes, or vice-versa? Either way, when the government spends more, it has to tax more, right? That's true. But the sequence makes a big difference. If spending comes first, the government has lots of muscle, and the main purposes of federal taxes are to keep inflation down and to reassure bondholders.

If taxes came first, the government would perpetually be at the mercy of anti-tax activists, which was the case before Hamilton came along. (And is the case today, to some extent; witness the Fiscal Cliff and the Debt Ceiling crises.) Call me crazy, but I take comfort in the belief that my taxes help reduce inflation and reinforce the value of the dollar. It makes paying them less painful.

Here's another way to look at: If Uncle Sam really needed to squeeze income taxes out of us in order to guarantee an uninterrupted flow of checks to military contractors, Social Security recipients, and featherbedding bureaucrats throughout the land, we would surely find ourselves facing a more aggressive Internal Revenue Service and harsher penalties for tax evasion.

And more aggressive judges. The U.S. District judge in Billings could afford to humor the Whitefish Tax Strikers, at least temporarily, in part because he knew that the country didn't really need their income taxes. As for the Tax Strikers, they eventually appeared in federal court, looking surprisingly sheepish. I'm not sure what happened to them after that. Maybe they became survivalists.

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[\[i\]](#) Einhorn, Robin L. *American Taxation, American Slavery*: Chicago, 2006.

[\[ii\]](#) Chernow, Ron. *Alexander Hamilton*: Penguin, 2004.