

tax on origin-based corporate cash flow that exempts returns to capital at the personal level. As a “direct tax,” however, the flat tax could not be made border-adjusted according to WTO standards and, therefore, could offer no comparable border-adjusted tax relief for U.S. manufacturers. Although it is promoted as a simple tax, political reality would subject the flat tax to a continuing redefinition of income—and, potentially, to a progressive rate schedule. Since such a plan would inevitably be stigmatized as tax relief for the rich at the expense of the majority of wage-earning taxpayers, its prospects are very dim.

Another less popular plan is the Consumed Income Tax (CIT), which taxes all income once and only at the personal level, after investment savings have been exempted. This, too, qualifies as a “direct tax,” making it ineligible for border adjustment. Although the CIT has the advantage of taxing all income the same and of encouraging investment, it is also susceptible to political tinkering that could reintroduce progressive taxation and higher marginal rates.

Closer to the mark is the Fair Tax, which is a flat-rate retail-sales tax (RST) that replaces all federal taxation, including social-insurance taxes, and gives rebates on the tax on the equivalent of poverty-level income. It is an indirect consumption tax, and, as such, qualifies by WTO standards for border adjustment.

The preferable alternative is the Business Transfer Tax (BTT), a subtraction method value-added tax based on the difference between revenues and purchased goods and services for all enterprises and employers. The BTT would exempt fixed investment and exports, but it would apply to imports, and it would credit an employer for social-insurance taxes paid. Both the RST and the BTT would offer rebates that could be used to remit taxes on “necessities.”

The RST and the BTT are both consumption taxes, but there are significant differences because of the different tax bases that underlie the plans. Theoretically, the RST has as its base all personal consumption expenditures; experience with state retail sales taxes, however, shows that it is very difficult politically to impose taxes directly on “necessities.” A large portion of consumption—housing, healthcare, food, legal fees, and even hair care—are exempt from state retail taxes, and the same humanitarian zeal might afflict the RST. Even without exempting necessities, the RST would have a smaller potential base. It would require a higher rate than the BTT, which would provide an incentive for tax evasion. Were an RST to replace *all* federal taxation (as the Fair Tax proposes), then it would either have a smaller base than the proposed BTT, or it would have to introduce a companion measure that would tax payroll and the consumption expenditures of government and not-for-profits.

This leaves the Business Transfer Tax as the most viable proposal on the table. What are its advantages? Apart from the fact that it can be made border adjustable, the BTT would establish a tax base that includes all commerce and employers, eventually reaching even employment and purchases in the government sector and employment in the ballooning not-for-profit sector. Although aimed at consumption, the BTT, by collecting from employers rather than from consumers, would offer little justification for allowing exemption, but it would also provide equitable rebates to offset spending on necessities. Such rebates would serve as replacement for exemptions, deductions, and credits, and, if the BTT were adopted as a single

flat tax, all taxation of income could be eliminated.

How should a Business Transfer Tax be implemented on a revenue-neutral basis, replacing current taxation in order of priority? First, the corporate income tax would be replaced by a 5.5-percent BTT. Next, the BTT would be raised to 10 percent, enabling the personal income tax to be flattened to a 14-percent single rate. Finally, the entire tax code (apart from personal FICA taxes) would be replaced by a 20-percent BTT. If the socialists insisted on maintaining a “progressive” code, a somewhat lower BTT rate could be adopted, supplemented by a modest upper-income tax. This is not recommended, but this is not a perfect world.

Following this plan would mean an equitable, neutral, transparent, and politically feasible supply-side and border-adjusted reform of the federal tax code. It would dramatically reduce our perennial trade deficits on manufactured goods and provide optimal growth for *all* sectors of the U.S. economy. It would level the playing field for U.S. corporations in general, and manufacturing in particular, and for U.S. blue-collar workers, whose earnings have been increasingly depressed over the past three decades. It would mean a return to a more equitable sharing in the growth and prosperity of the U.S. economy—not only for those in manufacturing but for all sectors of the U.S. economy.

Our representatives in Congress should consider the U.S. taxpayers’ definition of “fair taxation.” A *Readers’ Digest* poll addressed the question “What is the highest rate of taxes Americans should pay regardless of income level?” A statistically sound sample of Americans answered: 25 percent. The BTT meets this criterion.

Some politicians and experts continue to deny that there is a manufacturing crisis and to oppose a U.S. value-added based tax. This obfuscation of the real reasons for declining blue-collar incomes serves the interests only of the few who currently profit abroad at the expense of all other Americans’ prospects for the future.

The second sentence of the second paragraph of Mr. Hartman’s article “What Manufacturing Crisis?” (November 2004) should read: “From June 1998 to January 2004, 3.5 million workers lost their jobs—a decline of 19.7 percent.” The editors regret the error.

Vengeance Is Mine, Says the Lord, 1943 by Leo Yankevich

in memory of the German and Russian soldiers buried together in mass graves during the battle of Stalingrad

If but the sun had burned less brightly
upon the faces of the dead
He saw heaped high that winter day
inside a pit dug in a field,
one could say who was good, who bad,
who was a sinner, who a saint,
but those He saw were saved in death
and share one grave beneath His land.

The Wand of Youth

A Story

by Anthony Bukoski

When Francis Majewski escorts my sister to our back porch, he bows to her like a Polish nobleman, then hobbles home on walking crutches with hard leather cuffs that circle his forearms. Lesczyk Iwanowski, Gerald Bluebird, and I, Antek, stare at him, scratch our heads, call him “the Noble Pole.” He’s older than us.

If we’re playing basketball, he’ll lean his crutches against the garage, plant himself at the free-throw line in the alley, and yell stupid things like “Hustle him! Hustle him!” When he’s not facing the basket, he can’t shoot. Because he can’t turn without crutches, slapping the ball from him is easy, despite his strong arms.

He has weak legs, though. They are thin as a person’s wrists and won’t bend. He’d never let you see them. One time, Pete Dziedzic and some bullies kidnapped him. They paid a guy a year older to buy them beer in the county, where it’s legal to drink at eighteen. They forced three cans of Northern down Francis. With their own beers gone, they headed to Allouez Sauna in the neighborhood across the Left-Handed River from the East End where we live. Francis was embarrassed they’d see his legs if he came into the sauna. If he didn’t, they threatened to make him stumble home, drunk, on his crutches. It was nine below zero. Leaving their clothes in the changing room, the guys sat in the steam, laughing about Francis out in the car. Just as they got the sauna hotter than even Pete Dziedzic could stand it, in with his crutches walked the Noble Pole—in long underwear! No one in high school wears long underwear, which got them laughing. Five seconds later, the union suit was soaked, and Francis was passed out, but at least no one had seen his legs. The heat and the red underwear sweated the beer right out of him, Dziedzic said. Knowing the Noble Pole with his high moral standards, they will be the last beers he’ll have in life.

My sister’s other sad friend attends Szkoła Wojciecha, St. Adalbert’s Grade School, with me. I don’t like Teeny Juncewicz, who wears thick glasses that make it appear as though she knows just how the teenage years of a Polish Catholic should be lived. She always talks about the “wand of youth.” She tells us we control something valuable that one day will be lost. “The wand of youth, it’s so precious,” she says, waving her hands as though she holds this wand. While Teeny scowls at everyone her age, when the nuns call tennis shoes “tennis slippers” or boxing gloves “killer mittens,” she laughs her approval. Whatever *they* say is great. I think the wand of youth has passed her by. Teeny is an old woman of fourteen who laughs at idiotic things and cries over Anna and the map of Poland.

Nowadays in the East End, neighbor ladies collect money

for polio research, donation cans stand on counters of businesses, and my sister prays she will be healed. When Anna returns from the special school she attends with Francis, who probably wears long johns on hot days, she starts in praying, so that her voice puts me to sleep. For centuries, the Black Madonna of Częstochowa, a blessed icon, has guarded Polish people, Polish homes, Polish armies, but Anna’s prayers will go unheeded because this family is cursed: Dad is stuck in a job on the packing floor at the flour mill, my sister has polio, and Ma can’t do anything when we’re home but pray or listen to Chopin on the phonograph.

Thankfully, I have two normal friends—Gerald Bluebird, the lone Indian in the Polish East End neighborhood, and Lesczyk Iwanowski, who’s come from the old country. They take my mind off of how people treat Anna special and how she has two bizarre friends.

“Why’d the nuns keep you?” Mother asks when I return from helping the Sisters pack away schoolbooks for the summer.

“That’s how the Polish nuns are. They got nothing better to do,” I tell her, saluting as I tear back out the door. With Anna upstairs in bed, Ma is distracted as she always is lately, but I’m on Memorial Day business and can’t worry about it. My dad and I are men with a mission.

“Sorry I’m late,” I tell him when he looks like he’s expecting me to screw something up again. “It was the Sisters at school that kept me working.”

“Wreath’s in the trunk,” he says, driving our beat-up Chevrolet down the alley, then down Fifth Street.

Much land south of our house is flat and wet. You can’t build on it. After a few miles of Superior, Wisconsin, wetlands, you come to the South End, where a water tower with the words TWIN PORTS CREAMERY written on it rises over the neighborhood. Further south, we pass farm fields, a couple more houses. Beyond the drive-in theater, Dad parks behind a line of cars on the side of the highway. Through air that smells like lilacs, we head for the cemetery, when someone yells to us in a Polish accent.

Mr. Ham is leaning on his cane. People call him “Good Ham, *Dobrze Szynka*,” because of his last name. If he corners you, he’ll tell you about his “phantom pains,” which he pronounces “phanthom pains.” He also has “galloping pains.” To help the soreness in his legs, he wears his wife’s support hose. Today, he has on funny-looking gloves. Unnatural on the hands of a retired laborer, they are tight, dressy, tan-colored lady’s gloves.

“Why you wearing them?” I ask.

“Arthur-itis control,” he says. “Helps the hands.” Because of the pain, it’s hard for him to walk, too.

Though the priest is asking everyone to bow in remem-

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