

Tax Slavery Sucks

According to the Tax Foundation, Americans will spend about 40% of their income on taxes in 2008. For comparison, in 1900, it was around 6%. That means for almost five months out of the year you work to pay for government. In the current system most types of income are taxed, sometimes twice, and often progressively. These are just some of the taxes levied by government: federal and local income tax, sales tax, property tax, gasoline tax, cigarette tax, liquor tax, vehicle sales tax, utility tax, marriage license tax, inheritance tax, and capital gains tax. Additionally, you pay to compensate for taxes levied on others, such as paying slightly more at your favorite restaurant to help offset their business tax, and a few cents more per gallon of milk to support agriculture subsidies. If government is to exist, it should protect people from force and fraud – by maintaining a national defense, police and courts. But instead, as Public Choice economists have detailed, legislators seek to fulfill the so-called “needs” of the constituencies and special interest groups that put and keep them in office. The result is not a system that protects our rights but one that provides benefits to some at the expense of others, known as concentrated benefits and dispersed costs.

Why we believe tax slavery sucks:

Taxes violate individual rights. Specifically, taxes violate your property rights. By using taxation to benefit some people, the government says that you have no right to keep what you have earned or how you spend it, as long as there is someone else who needs or wants it, and that it therefore has the right to seize your property in order to provide it to the person or group they see fit. That’s damn close to making you a slave. As John A Pugsley stated:

How does the IRS agent who collects our taxes differ from the gunman? He does not. You are forced to pay under threat of imprisonment (the gun). Your money is taken without your voluntary consent. It is used by other people who claim that their need is a just demand of your property. The process is justified because a group of people (voters) decide as a group that you should be robbed and that the money should be used for whatever purposes they deem proper.

Taxation arbitrarily creates winners and losers. The government does not create wealth but only usurps and redistributes it. The complicated tax code means that Joe Sixpack has to waste time to complete complicated tax forms or money to hire tax accountants. Also, foreign producers win because the taxes levied on businesses increase prices on domestic goods. The losers are clearly productive individuals, those who have created wealth through voluntary interactions. As Carl Watner penned in *I Must Speak Out*:

Oliver Wendell Holmes once said, “Taxation is the price we pay for civilization.” But isn’t the opposite really the case? Taxation is the price we pay for failing to build a civilized society. The higher the tax level, the greater the failure. A centrally planned and totalitarian state represents a complete defeat for the civilized world, while a totally voluntary society represents its ultimate success.

Taxation creates negative unintended consequences. Using taxation to pay for what the government deems some people “need” instills a sense of entitlement rather than personal responsibility. It also tends to keep people dependent on government handouts, encouraging them to seek additional money for other “needs”.

Taxes trample the idea of virtue. Forcing individuals via taxation to pay for the “needs” of others (often determined by a bureaucrat) does make them benevolent or charitable. What makes people benevolent or charitable is realizing that there are persons in true need and causes well worth while contributing to. Many people do realize that; that is why they give voluntarily. Moreover, taxation actually discourages charitable giving because people have less money to give, or they figure that their taxes already pay for the needy.

Taxation is progressive. That means that individuals who earn more are forced to pay more. In a sense, they’re being penalized for creating wealth. At its root, progressive taxation is about wealth redistribution. Its underlying assumption is that wealth is like a fixed pie from which some people get to take a larger piece thereby decreasing the share of others. Accordingly, income inequality is the expression of unfair wealth distribution and should be decreased by reallocation from the top to the bottom. Hence, those who make more should pay more because they have to give back in some way what they have taken from others. But more production generates more economic progress which leads to an increase in wealth for everyone (at least in a free market system), so that the pie does not remain a fixed size. Therefore, progressive taxation is based on a faulty assumption about the nature of wealth creation. What’s more, progressive taxation actually stifles economic progress. When individuals are heavily taxed they choose to produce less or choose to conduct business in countries with better tax laws.

