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The injustice of 'tax justice'

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What does the phrase "tax justice" mean? A definition is important because some groups claim to favor "tax justice" but really want to increase taxes on productive people and transfer resources to the state. Webster's, in part, defines justice "as the assignment of merited rewards or punishments."

There is an organization called the "Tax Justice Network." Many of its leaders are, or have been, associated with the Fabian socialists in Britain and other socialist groups around the world. Yet, this group just held a "briefing" for members of the U.S. Congress and their staffs. The organization strongly opposes tax competition between governments and has a "manifesto for tax justice," with the underlying goal of increasing global tax revenue.

Virtually every serious study of global taxation has concluded tax rates in almost all countries are above the welfare and revenue-maximizing rates, and that the size of government in most countries is well above the growth-maximizing level. Thus, how can increasing government tax revenue be "just" if it is likely to do more harm than good in most places?

The authors of the "tax justice manifesto" aim "to eliminate cross-border tax evasion and limit the scope for tax avoidance, so that large corporations and wealthy individuals pay tax in line with their ability to do so." (Shades of "From each according to his ability, to each according to his need.") They also want to increase corporate tax rates worldwide and taxes on the "wealthy" as part of their antitax competition and tax harmonization proposals.

Reading through their program, one becomes curious about how little they seem to know of real world economics and how little regard they have for individual liberty.

First, they don't seem to recognize corporations are merely a legal form of conducting business; and taxing a corporation means the tax is paid by consumers through higher prices, by workers through lower wages and by shareholders through lower returns. In the modern world, workers' pension funds are often the major owners of many large corporations. It is hard to see how increasing consumer prices, lowering workers' wages, and diminishing the returns to pensioners can be considered just. Corporations that try to legally minimize their tax bills are being responsible and just to their customers, workers

and shareholders. The unjust players are those governments with punishing tax rates who drive their citizens to seek legal relief.

The notion of "ability to pay" also can conflict with the normal definition of justice. A very rich man like Bill Gates might be able to pay 99 percent of his income in tax and still live comfortably, but would that be just? Of course not.

The manifesto also aims to "remove the tax and secrecy incentives that encourage the outward flow of investment capital from countries most in need of economic development." Again, the authors miss the basic point. Capital flows from countries that punish it or treat it unjustly and toward countries that treat capital well or justly. The most successful developing countries have learned if they protect property rights, follow the rule of law and have reasonable tax and regulatory regimes, they will attract all the capital they can use productively. And their citizens will benefit.

The authors of the manifesto also want to "prevent the further privatization and degradation of public services." Somehow, these self-proclaimed "tax justice" advocates miss the undeniable fact socialism has failed almost everywhere tried. Political pressure developed around the world in favor of privatization precisely because public services were severely degraded under government ownership. It most certainly is not "just" to force people to suffer inferior government services when the private sector can do better at lower cost.

Global financial information-sharing among "all states and territories" is another demand. Again, basic questions: How is it just to deny reasonable financial privacy to people and their legal entities? How is it just to share sensitive financial information with terrorist or criminal governments or with governments either so incompetent or corrupt they cannot safeguard sensitive information?

One of their most bizarre proposals is for an international welfare program for people in low-tax jurisdictions who lose their jobs and are impoverished by the much higher taxes of the "new world order tax justice" people and their allies. Despite the high-sounding rhetoric, the Tax Justice Network is only a collection of socialist-no-nothings -- or worse -- whose policies, if enacted, would destroy economic growth, financial privacy, civil society and individual liberty.

True tax justice would not penalize people who work harder or longer to produce needed and desired goods and services. And true tax justice would not double-tax those who save responsibly and invest productively. Beware "tax justice" socialists trying to steal both our liberties and our words.

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