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Taxation with Misrepresentation

by Sheldon Richman

It's tax season. Consider what that means. It's the time of year when you must account for yourself to the government. You must report every dime you earned last year, and if you believe any of it should be beyond the state's grasp, you'd better have the proof. If the government withheld more of your money than (you think) the rules require, it is your burden to prove that. You then must submit the official paperwork by a certain time. If the authorities are not satisfied with what you submit, they will demand that you prove you've done it right. If you can't, you'll have to do it their way and pay more. Should you refuse to comply with any of these requirements — and a lot more no one understands — the government has the power to make your life hell and impose additional financial burdens. It can even imprison you.

And all in a country most people would swear is free.

Why we tolerate this outrage is one of the great mysteries of life. Our revolutionary forebears had a far lower tolerance for taxes than we have. Yes, there was the matter of not having representation in Parliament, but truthfully, does having a congressman and two senators really make such a big difference? They don't even read the bills.

What we have is taxation with misrepresentation.

A few people cling to the civics-book fairy tale that *we* are the government. Let's get real. Do you really feel as though you're paying taxes to yourself and your neighbors? If they threatened to jail you for not ponying up, you'd call the police. The system that extracts wealth from us is out of our control. Your single vote every two, four, and six years has little effect on the juggernaut. Over the years the tax system has evolved to the monstrosity it is through countless political transactions, each of which was guided largely by politicians seeking continuation in power by pleasing special-interest constituencies. Little consideration was given to individual rights because there was no political payoff in it.

You and I have about as much control over the machinery of legal plunder as a colonial American had. At least the colonial knew he was a subject. Today, with the Treasury, Federal Reserve, and Federal Deposit Insurance Corporation — *without congressional authorization* —

subsidizing investors so they'll buy the banks' toxic assets, there is not even a democratic fig leaf. The Bush-Obama regime has given us a costly financial dictatorship that we and our children will pay for dearly.

These have been particularly rough times for the taxpayers, and they won't be easier for the next couple of generations. Bailouts to big financial companies and bogus stimulus spending will cost trillions of dollars. Even if explicit taxes are not raised to pay that bill — and to some extent they will be — wealth will be extracted from productive individuals nonetheless. The government is borrowing a mind-numbing amount of money from the capital markets, while the Federal Reserve is setting records creating money from nothing in a process known as “monetizing the debt.” This will eventually sock the common people with a triple whammy by 1) immediately transferring scarce capital from productive entrepreneurs to parasitic politicians, 2) misallocating other resources within the private sector, making the economy vulnerable to a new recession, and 3) eroding the purchasing power of the dollar. In other words, government debt affects us like taxation does, only less visibly.

In the tax season, we can all use a laugh, and the government has provided it. Every time the politicians approve a bailout, they promise to “protect the taxpayers.” Some even say the taxpayers might profit off the toxic bank assets when the government resells them in a revived market later. Nonsense. Even in the unlikely event the assets appreciate sufficiently, it won't be the taxpayers who profit. It'll be the politicians. They will be the ones with more to spend. If you think they will cut taxes to offset that revenue, you are in for a surprise. We are *not* the government.

If the politicians were serious about protecting the taxpayers, they'd leave us the hell alone.

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