Bob Ticer

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The Need for Taxation

Some capitalists advocate no tax revenue whatsoever for government, thus allowing total freedom of a market system to prevail. As for governmental representation, it is strictly voluntary. As for national defense and civic order, it is also voluntary with the choice of hiring mercenaries for protection. As for social security, purchase insurance and hope it maintains to not default on payment. Schools and education are for those who want and can afford them.

This is one extreme. An opposite one is total governmental control, whether by dictatorship, socialism, communism or whatever. There is also a middle position whereby social services are supposed to complement free enterprise. The social infrastructure of roads, for instance, promotes goods to market places. The education of citizens leads to more knowledgeable choices for quality competition and incentive to produce more innovatively.

How much and exactly what social services are needed becomes the real issue of debate. Political-economic conservatives want to minimize the role of government and decrease taxes whereas liberals want to balance services for the needy by taxing the rich.

Conservatives are right to point out there is wasteful spending in government, and it is not the role of government to dictate what color of car a citizen can purchase. If citizens have the opportunity to determine their own needs, they become innovative and productive members of the free enterprise system, thus increasing the potential wealth of society as a whole.

Liberals are right to point out people often make unwise choices. Overgrazing of cattle, for instance, results in fertile soil turning into wasteland. The opportune wealth of society is thus decreased by the greed of a few. Laws can be implemented, but they require capital for enforcement if they are to be effective.

There seems to be no simple solution, but more informed people are more apt to invest wisely in the system. This assumes people would be more willing to pay taxes if they knew exactly what they were getting for their investment, and if it were something more beneficial than what they could obtain by way of the free market. Parks and recreational facilities in place at key locations come to mind.

How much can we afford?

This is relative. If government taxed ninety cents on the dollar of all transactions, then supply and demand economics adjusts to the ten cents left available. The real issue of concern is what government does with the ninety cents. How much of it makes society either richer or more restrictive?

The issue is complex with controversial solutions, but still worthy of analysis. Simplification with regard to basic economic principles is offered.

Most basic to free enterprise is “supply and demand” economics. More supply and less demand promote a cheaper price. Conversely, less supply and more demand promote a higher price.

An increase in the amount of currency is sometimes said to result in inflation. However, this is only true insofar as people with more money demand more products. People could choose to hide some of it under a mattress.

The only value money has is what it can buy. If there were no product to buy, it would then be worthless. Money is thus not primary to wealth. If it were, then capitalism would be flawed, as inevitably subject to speculation and monopolization.

Suppose, for instance, people choose to put money under their mattresses so that there is only half available for spending. Prices could fall in a manner consistent with supply and demand economics. Those people with money under their mattresses could become relatively richer. They could buy up corporations and monopolize the economy. However, this is only a possibility with other factors coming into play and still other factors not considered. One factor not considered, for instance, is the availability of credit.

It is not the lack of currency that deflates prices; it is the lack of demand—people choosing to get by with less. Although speculative efforts, intentional or not, can result in deflated prices, they can also be defeated by way of credit and other consumers choosing to have more. That is to say those who labor to produce more, but sell for less, choose to be poorer.

Money is only a means of exchanging good and services. It appears in the form of either a paper or coin certificate, or can appear in the form of credit. With credit, the rate of

exchange is accelerated. Goods can thus be exchanged twice as fast with half as much currency. This means neither inflation nor deflation need occur. However, that is not to say too much credit cannot also result in undesirable consequences. The dollar, for instance, can cheapen and runaway inflation can result.

We thus presume a competitive system exists whereby product is exchanged fairly. Let each one-hundred and one participants produce one-hundred and one amounts of equal product, whereby each participant sells one-hundred amounts to the other one-hundred participants. Simply let the nature of the product be of any form valuable to the participants. It can thus be either cars or security, and it includes both private enterprise and social service. In effect, the only distinction between private enterprise and social service is one is individually chosen whereas the other is collectively chosen.

Social services are collectively chosen to create funds for, say a public school whereby children can become more informed and better competitors. This assumes representatives of government are either trustworthy or inform us as to exactly how our tax dollars are spent. They have good reason to vote for their own pay raise and enact a law to forbid the amount of that raise to become disclosed to the public.

As for the private sector, there is free entry into the market place. When the present oil companies do not build enough refineries for the demand of gasoline, for instance, new companies emerge that will. When the value of the dollar deflates due to a trade imbalance, production increases to supply more foreign demand for products with a cheaper price.

These are ideal conditions of a free enterprise system and worthy of striving for, but the real world is not always ideal. In it we now have runaway inflation at the gas pump. The price of oil keeps rising. Leading economists blame this spike in price not due to either a lack of supply or increase in demand, but because of speculation. They claim the dollar is weakened due to low interest rates by the Fed promoting extensive credit. Investors are thus swayed to buy more oil stocks to offset the cheaper dollar. A greater demand for stocks increases their value at the expense of those either wanting or needing gasoline. A middleman so to speak has gained the upper hand.

How did this occur with free entry into the market place? Why did you not enter into it and build more refineries? Most of us would answer we did not have the capital to invest. We did not have the tax breaks already given to big oil. Most of us are, therefore, powerless to correct the situation.

As long as oil remains a critical resource to the economy, investors will continue to speculate even at the risk of a market collapse. About the only way to discourage them in an open market system is for new competitors to emerge. If the free market does not act on its own in reasonable time, then the alternative becomes government intervention.

What can the government do?

The government can provide an infrastructure for free enterprise to flourish. It provides roads and bridges. It provides security. Energy is security in the sense it allows the market place to create. Without it there is no production of product.

Even the willingness of government helping to support new energy sources is apt to reverse speculation and bring down oil prices.

Congress has broken up monopolies in the past. It can also be a means to grant new oil leases to new companies.

Government should also have the authority to tax existing oil companies to subsidize alternative energies. Electric cars are a reality. Fuel cells are nearly feasible with polymers as a cheaper catalyst than is platinum. Lithium is a lightweight and abundant substance. Recharging-lithium-ion batteries can last up to ten years. Most driving is inner city. Even lead batteries would do the trick if stores and the cities sold electricity to parked cars. Electromagnetic boosters could be embedded in roads. Solar cells can now be painted on rooftops and are becoming economically feasible. Convection reflectors can turn water into steam to generate electricity. All government vehicles except police cars could become electric ones. All government facilities could become solar. It only takes tax revenue and an adjustment of the private sector to implement, which would become plenty capable if empowered by the collective will of the people.