

# Fair Taxation Versus Fewer Taxes: Where Should You Invest?

by Adam Richardson

***“I just want everyone to pay their fair share!” – Says a group of liars.***

It's a great defensive strategy used to avoid thinking about the state of a progressive taxation system, “as long as everyone pays their fair share!” Who can argue with that?

*The confiscation of wealth by force is not an issue that can be dismissed with such a vague (and passively moral) statement!*

What then do I think is “fair”? That's another article altogether (one that is coming soon).

In the meantime I have a new article from market commentator Samuel Kraigwest.

**Read on below:**

# Fair Taxation Versus Fewer Taxes: Where Should You Invest?

By Samuel Kraigwest

*A Tax System Stacked Against the 99 Percent ... As a statement of principle, the quotation may well have earned Mrs. Helmsley, who died in 2007, the title Queen of Mean. But as a prediction about the fairness of American tax policy, Mrs. Helmsley's remark might actually have been prescient. – Joe Stiglitz*

Nobel Prize Winner Joe Stiglitz wants corporations to pay more tax.

In fact, he notes that “No one enjoys paying taxes, and yet all but the extreme libertarians agree, as Oliver Wendell Holmes said, that taxes are the price we pay for civilized society.”

Of course, this is not quite true in the era of unlimited central bank money stimulation. As central bankers explain, they have mastered the art of adding and withdrawing money from the economy, one would think that the money necessary to run a country could be printed rather than taxed.

Stiglitz is not interested in answering this question, nor in exploring ways that taxes could be reduced by fewer expenditures.

He is concerned that everyone pay “their fair share,” no matter how much it is . Presumably, one could be taxed near 100 percent and so long as corporations and “the wealthy” were paying an equal amount, Stiglitz would be satisfied, at least a little. Here's more:

*About 6 in 10 of us believe that the tax system is unfair – and they're right: put simply, the very rich don't pay their*

*fair share. The richest 400 individual taxpayers, with an average income of more than \$200 million, pay less than 20 percent of their income in taxes – far lower than mere millionaires, who pay about 25 percent of their income in taxes, and about the same as those earning a mere \$200,000 to \$500,000. And in 2009, 116 of the top 400 earners – almost a third – paid less than 15 percent of their income in taxes.*

*Conservatives like to point out that the richest Americans' tax payments make up a large portion of total receipts. This is true, as well it should be in any tax system that is progressive – that is, a system that taxes the affluent at higher rates than those of modest means. It's also true that as the wealthiest Americans' incomes have skyrocketed in recent years, their total tax payments have grown. This would be so even if we had a single flat income-tax rate across the board.*

*What should shock and outrage us is that as the top 1 percent has grown extremely rich, the effective tax rates they pay have markedly decreased. Our tax system is much less progressive than it was for much of the 20th century. The top marginal income tax rate peaked at 94 percent during World War II and remained at 70 percent through the 1960s and 1970s; it is now 39.6 percent. Tax fairness has gotten much worse in the 30 years since the Reagan "revolution" of the 1980s*

*Citizens for Tax Justice, an organization that advocates for a more progressive tax system, has estimated that, when federal, state and local taxes are taken into account, the top 1 percent paid only slightly more than 20 percent of all American taxes in 2010 – about the same as the share of income they took home, an outcome that is not progressive at all.*

*Stiglitz goes on about tax fairness and cites a lot of numbers to show that the wealthy one percent don't pay as much of the tax burden as they used to. One wonders however why Stiglitz, a man who is renowned economic visionary is so focused on how*

much people are paying into a system that is obviously broken.

He even compares US tax rates to those in Europe and concludes that the European system is “fairer” than the US one!

Why he expects this to be a convincing argument is difficult to see. Thanks to the euro, Europe is imploding, showing us once again that monetary policies are far more powerful than fiscal ones. Yet the whole argument at this point is a kind of waste of breath. The US remains mired in recession, Europe is misfiring, Britain is facing a third downturn, Japan is struggling to emerge from a three decade slump, China is facing significant price inflation – on and on.

The bottom line organization of prosperous economies are well known at this point. Government has to get out of the way, remove itself as much as possible from confiscatory taxation and monetary meddling, decrease regulations and let entrepreneurs create businesses within niches as they see fit. Nobody understands a business niche like someone working in it.

Unfortunately, too much attention in the media is paid to people like Stiglitz and even investors can be confused by such viewpoints, advocating that the most innovative societies are the “fairest” ones and that tax burdens don’t matter so long as taxes are efficiently distributed and government is subject to maximum transparency.

As an investor, don’t be fooled. There is no such thing as government transparency and there is no such thing, either, as competent government disbursement of fiscal revenues.

Investing abroad? Look for a lean government, not an “efficient” one.

*Samuel Kraigwest is longtime commenter on the markets who grew up in the US but now travels the world in search of promising investments and the ever-elusive “best martini.” Kraigwest is*

*also a contrarian investor who uses all of his life experience and investment knowhow to communicate the hard-truths of 21<sup>st</sup> century global speculation. Please visit the following address for a no-risk sample of a global newsletter with which he is involved. [https://secure.viscountmedia.com/order/sales\\_nigel3.html](https://secure.viscountmedia.com/order/sales_nigel3.html)*

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