

By George

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We may have a tax cut yet, by George. George Bush, that is. Originally, we were told the economy was so good, we need a tax break. Between the expanding economy and inflation causing bracket-creep, the government will have too much money.

The more money governments have, the more they spend. Do we want our government to do more of the things that we as individuals could do for ourselves? Do we want an invasive government, which pays for and oversees every facet of our lives, from building

and live. The reason most people get paid more than the minimum wage is because their skills and knowledge are not universal.

Every enterprise wants to maximize productivity, so they start bidding for the most productive workers. This is supply and demand.

If there's a shortage of auto mechanics, their wages will go up until the rewards create the incentive to learn how to fix cars. When the

supply of auto mechanics exceeds the demand, mechanics bid against each other

and their wages fall accordingly.

Suppose the minimum wage was \$5 and it took an extra \$10 to create an ample supply of auto mechanics (\$15 per hour). Then the government

takes 25% in taxes.

What would happen to the incentive to learn how to fix cars, and the supply of auto mechanics?

In order to reestablish the incentive, which yields an ample supply of mechanics, they have to raise wages. \$20 per hour, minus 25% in taxes equals \$15 per hour, the magic number.

By the same token, every reduction in taxes will also reduce gross wages and leave take-home pay the same. However, any government programs like free education or health care enjoyed by people at the bottom will seem like an increase in the mini-

mum wage. A rising tide lifts all boats.

Of course all taxes are paid at the expense of land rent and other monopolies. But then Mirabeau, the French *Physiocrat*, is said to have stated this postulate in the Palace of Versailles more than 200 years ago.

Now, in the year 2001 we are told the tax cut is needed to stimulate the ailing economy.

'Tax Cut 'Shell Game'

According to a recent article in *The Wall Street Journal*, "some of the taxes Congress claims to be cutting would quietly reappear after a few years." Critics are referring to these disappearing-reappearing cuts as a "shell game."

The *Journal* article says, "many of the Senate bill's basic provisions, including its cornerstone income tax rate cuts, would be permanent, although they would go into effect very slowly in many instances. But some other tax breaks go into effect for a few years, then go away."

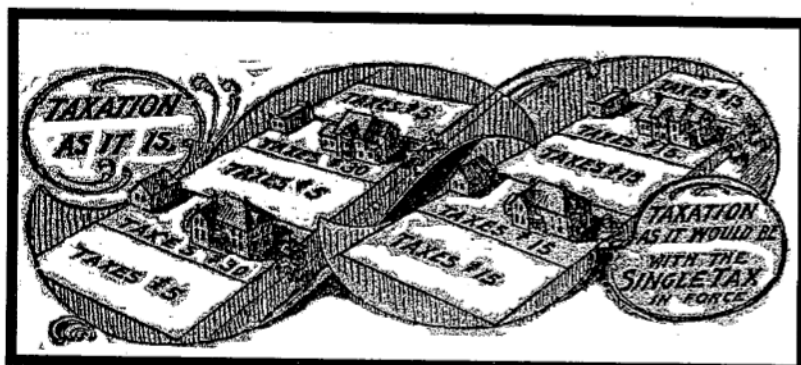
The *Journal* attributes this disappearing act to both the need for Congress to "hold down the cost of tax cuts to \$1.35 trillion" and political wrangling between Republicans and Democrats. The article quotes a spokeswoman for Democratic Senate Minority Leader Tom Daschle as saying, "Democrats are seeking more breaks for lower-income tax payers and Republicans should reduce the bill's benefits for the well-to-do to make room." Senator John Kerry complains that this bill "is using

budgetary tricks to dump even tougher choices in the laps of future Congresses."

There is yet another provision that disappears only to reappear under a different guise: the federal estate tax will go, only to come back later as an increased capital gains tax on inherited wealth.

Surely, we need a tax system as proposed by another George, by George.

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highways to providing health care, education and social security - from subsidizing farmers and job creating industries to taxing drinkers and smokers. Congress has recently given farmers a 77 percent increase in government assistance. That amounts to an extra \$79 billion over the next ten years. This new increase includes \$5.5 billion to compensate farmers for falling commodity prices and increased fuel and fertilizer costs. Farm bailouts amounted to a total of \$25 billion last year.

Would most of us be better off with lower taxes? It's hard to imagine that we will get back in benefits as much as we yield in taxes - given that all governments have a propensity for bureaucracy and inefficiency.

Well, allow me to take a short cut. In the U.S. we have a minimum wage law, public housing and welfare. That is to say: a minimum below which virtually no one must work

Now, supposing we should abolish all other taxes direct and indirect, substituting for them a tax upon land values, what would be the effect? In the first place it would kill speculative values. It would relieve energy and enterprise, capital and labor from all those burdens that now bear upon them. In the second place we could, from the value of land, not merely pay all the expenses of the government, but we could do infinitely more.

— Henry George