

COMMENTARY & OPINIONS

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ON.....Taxation curtails jobs for the disadvantaged

There is a common belief that taxing businesses and the rich help the disadvantaged. Hence, some politicians are predisposed to levy high taxes under the guise that redistributing some of the proceeds among the disadvantaged will make them better off. This misconception, however, has led well intentioned politicians to legislate inefficient tax policies. And, the outcome has been a reduction in private sector employment. Therefore, such policies have made society and in particular the disadvantaged, worse off.

Taxation should be used wisely, mostly to finance public goods. Public goods are goods for which additional consumption by one individual does not

imply reduced consumption by another. Examples of public goods are defense, clean air, highways, etc.

When government taxes any good or service, the supply of that good or service is reduced. That is, the tax adds to the price of the taxed commodity, making it more costly than it would otherwise have been in absence of the tax. And if it is more costly, less of that commodity will be purchased. As less of the taxed commodity is purchased, less employees are needed to produce the reduced quantity demanded. Furthermore, the taxed entity, whether businesses or individuals, profit margin will be less under the tax. Hence, eventually, the taxed activity will be substituted for non-

taxed activity or it will be produced elsewhere; in another county, state or country.

Therefore, if the objective of government is to foster private sector employment then the minimum amount of taxes should be levied on its citizens, to do otherwise is irresponsible.

Taxation, however is not only levied by legislative decree, it is also levied by government inaction. For instance, governments that are unable, or unwilling, to control crime impose a de facto taxation on its citizens: the crime-tax. And, affected individuals and business will, like under any tax, shift their activities to regions where governments are able to reduce the

crime-tax. Therefore, the crime-tax also causes a reduction in private sector employment.

More fundamentally, however, as factors of production are shifted, the available tax base is reduced and government revenues diminish. To make up for the revenue shortfall taxes are further increased causing more regional shifting and job losses. And, when there is insufficient employees and businesses to tax, government is then funded through debt instruments, such as bonds. This, however, crowds-out investment opportunities for private entrepreneurs and stifles the growth of private businesses and, hence job creation.

Inner cities in the U.S. are primary

examples of inefficient government taxation. And, as a result businesses have slowly relocated their facilities and jobs to lower tax regions, causing high unemployment, and crime. Hence, higher taxes, in the long run, do not benefit the disadvantaged; rather it deprives them of legal employment opportunities.

What the disadvantaged need are legitimate jobs, whereby they can learn work ethics and acquire marketable skills. Moreover, they need a government that is concerned with their safety, education and neighborhood stability. That is, a government that will enforce human, education and property rights in their communities.