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## The corruption of universal suffrage: Tax, consent and the tyranny of the majority

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# **The Corruption of Universal Suffrage: Tax, consent and the tyranny of the majority**

**Brad Walmsley**

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*Simple majority rule results in a tyranny of the majority. Politicians auction taxes in order to buy votes, oppressing the productive and producing economic instability. But simple majority rule is inferior to the historic right to just government. Since taxpayers cannot be said to have consented to taxation under simple majority rule, it represents unjust government. Therefore, the power to tax must be separated from the legislature since it is elected by universal suffrage. Consent to taxation can only be obtained from the taxpayers casting one vote for every pound of tax they pay; you have more say, the more you pay.*

*‘The democracy will cease to exist when you take away from those who are willing to work and give to those who would not.’ - Thomas Jefferson, 1821*

There is a sentiment pervading our western democracies that the Welfare State, or Social Security as Americans call it, emerged from a sense of solidarity arising spontaneously amongst the people in the wake of the Great Depression and the two World Wars.

What time has obscured, reinforced by the propaganda of politicians and state educationalists, is an ugly reality. In fact, the welfare state exists only as a consequence of the *non-consensual imposition of progressive income tax*. Without progressive income tax, the Welfare State could never have been financed. That the Welfare State arose at all is an unhappy accident. Western governments, towards the end of World War II, decided to retain the high progressive income taxes introduced to fund wartime expenditures, and to divert these revenues to welfare and other state programmes. What represented patriotic acquiescence by the taxpayers in the face of wartime peril was never intended to convey consent in *peacetime*. Confronting the taxpayer then and now has been the power of collectivist ideology legitimatising discriminatory taxation as the way to redress social inequality in a search for social justice. ‘From each according to his abilities, to each according to his needs’ supplanted Judeo-Christian teachings on honesty and the evil of theft as the popular

ethos of Western Society more than half a century ago. However, perhaps the more critical factor has been the unavoidable addiction of Western politicians to *auction politics* which is the principal reason for the absence of any mainstream resistance to progressive income tax, the Welfare State or, its handmaiden, arbitrary laws.

*Auction politics* comprise the making of gifts to voters in order that politicians may buy enough votes to attain power and since these gifts must be financed, all political parties depend upon progressive taxation of the most productive elements in society, in order to auction their taxes to vote banks. Consequently, the oppressive discrimination implicit in progressive income tax has been institutionalised. We have suffered this now for almost three generations.

The combination of auction politics and the Welfare State results in such massive public spending across the West that debt levels rise remorselessly, both government (due to chronic deficits) and private (as individuals succumb to moral risk created by the Welfare State and ignore the threat of personal bankruptcy). Periodically this accumulated debt must be wiped out, and since no politician's career could survive a debt-liquidation depression, western central banks, subservient to the state, whatever they pretend, pursue policies of monetary devaluation, resulting in rampant inflation, which erodes the 'real' value of debt. Of course, such policy confiscates the hard-won savings of the taxpayers but this fact is conveniently ignored. In the 1970s the U.S dollar lost 90% of its value against gold, with similar depreciation for most western currencies, and we will likely shortly experience another round of devaluation due to the current extreme build-up of debt. Usually these inflationary periods last a decade or so. Beyond the next wave, aging populations in the west may result, no later than 2030, in the active working population being so out-numbered by the inactive, that no level of taxes will be able to finance the needs of aged and other welfare dependents, resulting in yet another wave of monetary inflation to wipe out the 'real' value of the dependents' entitlements. Cyclical devaluation is now a perpetual feature of the West indicating that our democracies' present direction is economically unsustainable.

To sum up, nothing better demonstrates the hegemony of collectivist ideology in western politics than the adoption by our democratic governments of core Marxist measures against the bourgeoisie, being the policies of expropriation (progressive

income tax) and deliberate confiscatory inflation (resulting from central bank monetary devaluations).

But let us return to the ugly reality at the core of all this nonsense: the *non-consensual imposition of progressive income tax*. Our political parties promote the idea that under the system of *universal suffrage*, 'one man, one vote', all the people vote, and since the will of majority must prevail, therefore progressive income tax and the Welfare State are society's free and deliberate choice.

But the will of the majority is not sacrosanct in all matters, and it is a travesty to maintain that the majority can discriminate against a minority, that is, the most productive elements of society, by forcing them to pay tax at higher tax rates the more they earn and taxing them in any case without their consent. The vote of a man without a pound in his pocket is, in our democracies, worth the same as that of a highly paid heart surgeon, no matter that the taxes of the latter exceed in one year, during his short working life, a lifetime's contribution by a welfare dependent. The beneficiary of charity is thus able to dictate, under *universal suffrage*, the contribution of the donor and to ensure that the donor is coerced to make that donation. No one disputes, in a humane society, the necessity of bountiful charity, but when you take something without the express consent of the owner, we call this *theft*.

Not merely is the belief that the Welfare State is supported by popular solidarity a myth, but its financing depends upon expropriation achieved via progressive income tax, itself only achievable due to the historic disenfranchisement of the taxpayers.

Sadly, modern democracy can thus *no longer be described as a form of government which derives its just powers from the consent of the governed*, the essence of good government enshrined in the American Declaration of Independence. The very basis of modern democracy, universal suffrage, 'one man, one vote', has, in the absence of respect for individual liberty and private property, transformed itself into the tyranny of the majority which we endure today with no hope of relief in the absence of reform.

In the West, the State now takes around half of national income to finance its dependents, whether they are on welfare or as employees of state bureaucracies. In

order to administer the Welfare State the State has resorted to arbitrary laws, whose complexity requires such extensive regulations that State power has mostly passed to bureaucrats who administer these regulations. Of course, once you become accustomed to arbitrary law in one sphere of life, it spreads like a virus, whether it's positive discrimination giving minorities privileged access to education, anti-racism or anti-sexism, real estate zoning or even anti-smoking.

We can rightly state that we have endured in the West from our modern democracies such *a long train of abuses and usurpations* (judicial legislation, discriminatory taxes, unbridled bureaucratic power, persecution from tax collectors, arbitrary laws), *pursuing invariably the same object*, that we can see that our modern democracy *evinces a design to subject us to absolute despotism*. How many of us participate in political parties or believe that we can have any impact on taxation or arbitrary laws? Surely it is our right, our duty to provide *new guards for our future security* when *the form of government*, our modern democracy, is *destructive of our life, liberty and the pursuit of happiness*?

The fall of the Berlin Wall may have poetically symbolised the abject failure of totalitarian collectivism, but the Welfare State remains embedded in the West, a proverbial wolf in sheep's clothing achieving by stealth what Bolsheviks did with their guns. A desire for power by politicians using auction politics is more relevant to our fate than collectivist action, but in both cases we are faced with the fact that, despairingly, it has seemed impossible to argue with their *means*, that of social democracy advanced peacefully through the ballot box. Can one really reject the will of the majority; and yet still maintain democracy and social harmony?

Universal suffrage seems difficult to challenge. There are few reasonable justifications for claiming that any particular individual, except maybe the lunatic or criminal, is less fit than another to cast his vote for a legislature which makes laws which will be imposed upon all.

But universal suffrage corrupts the democratic process because it is power without responsibility. The people can demand what they like because a simple majority enables their elected government to impose any law wished by the majority.

Collectivist ideology promoted the welfare state and progressive income tax, but every career politician panders to the majority, neither the politician nor the majority caring that the attempted satisfaction of their impossible wishes, must necessarily be paid for by penalising the most productive, *the more productive* that they are in life.

Universal suffrage therefore results in the most wilful, selfish impulses of the popular will being expressed in governments armed with the power to coerce the most productive elements to satisfy the insatiable demands of the populace. It is a degrading abuse of our political institutions. Of course, we should seek to build and maintain a humane society, but not at the point of a gun. The inherent lack of respect for individual rights and private property evinced by undisciplined universal suffrage in the West has shattered the faith in democracy once held by a sizable minority in society, in fact, those who pay the bulk of taxes.

If the consent of the taxpayers was required to raise taxes, the nature of government would be transformed. Taxpayers freely paying over their money would treat taxes like any other investment or purchase and would require value for their money. Results would be required. Otherwise investment would stop. Imagine that. Instead of this pathological situation where the majority can demand whatever they want and politicians desperately scamper to anticipate their demands, they would both know that the taxpayers hold the cheque book. Political toadying towards the public would be in vain, and the more reasonable dependents amongst the public would restrain themselves, ashamed of their previous behaviour. Of course, there will be people lacking responsibility who do not wish to work and demand their wants and needs to be met like spoilt, feckless children, and there will be politicians who foster their beliefs, but both are to be ignored, unless they break the law.

The politicians who would prosper in such a reformed democracy would be those who could successfully broker the periodic compromise between the popular will to spend and the willingness of taxpayers to be taxed, and who can afterwards turn to the public and say honestly, this is all I can do with the resources provided by the taxpayers, and then seek to implement, as best they can, the approved agenda. When the people accept that their political leadership is constrained by a steadfast minority represented by the taxpayers, it is quite possible that our civic leaders might

actually have the opportunity to survive and be more highly respected, as opposed to the cynical distaste for them that characterises modern society. Politicians who can convince the taxpayers of the necessity of expenditure with first words and then efficient actions may command the respect of all the people.

The *social contract* in a *free society*, if democracy can be reformed, by reserving to the taxpayers the power to tax, while enabling through universal suffrage the people to express their will, is a bargain between the taxpayers on one side, and the working poor on the other. This contract is that the people shall be reasonable in their demands and respect individual liberty and private property, while the taxpayer undertakes to the working poor to ameliorate the worst effects of nature's inequality, and to maximise social mobility by assuring a decent education for their children. The working poor must be able to credibly believe that their children might one day enjoy a higher standard of living than their own, even rise in society, and the taxpayers must be seen to be using their best endeavours to achieve this goal. There can be no bargain with those not prepared to work or those seeking to abdicate their responsibilities.

This social contract is **not** the Welfare State. People must effectively themselves provide for the uncertainties of their lives and not look to others outside their families for support. Of course, simple humanity demands that the state and more fortunate individuals systematically enquire into cases of extreme hardship and seek to alleviate such cases, and no doubt the taxpayers will always accept a level of taxation related to the relief of these cases, but it is the working poor to whom the taxpayer must be dedicated, because the support of the working poor is critical to a free society and reformed democracy. So there will always be something of a safety net, but unless you belong to the working poor, nothing will be guaranteed; because it cannot be otherwise. The only alternative is continued oppression of the taxpayers, moral decay and economic ruin.

Thus, we must thus revisit the principle of a *just government being a government which governs with the consent of the governed*. Current tax law cannot be said to be just government since in no way can it be said that taxpayers paying the majority of taxes have consented in any fair, representative manner to progressive income tax.



The reality is that people who do not pay tax, have never paid tax or who only ever pay a pittance because of their incapacity to earn, have, under universal suffrage, historically been able to vote with the same *weight* as any taxpayer, no matter how much more tax any taxpayer paid.

This is unreasonable. Since revenue from progressive taxation funds the Welfare State, then how can the dependents of the Welfare State or the employees of state bureaucracies possibly have a right to tell taxpayers how much tax they should pay and how their taxes will be spent. This particular consequence of universal suffrage may explain the un-balanced nature of modern democracy where a simple majority can decide anything at all, no matter the level of discrimination applied to a minority, unless there are constitutional constraints on government action.

But surely taxpayers are represented in their local legislatures and would have resisted taxes and regulations which were against their interests? The answer is that, of course there was resistance but the taxpayers are people who believe in the Rule of Law and thus remained loyal to the established political institutions, failing to realise that they were disenfranchised long ago. The major contributors to taxation will always be out-voted under the prevailing system of universal suffrage, 'one man, one vote'. So now, realising that not only does progressive income tax amount to oppression, which exploits the law-abiding nature of the taxpayer, but that in any case, our un-reformed democracies are on the road to ruin, the taxpayer must protest and work for reform.

Reform must be sought where universal suffrage exists: in our legislatures. We must focus upon the role of the legislature in our society since it combines both the power to make laws and the power to tax for government purposes. There would seem to be a very great difference between voting in respect to the making of our laws, and the right to vote for what is the *separate* issue of taxation. In respect to the making of our laws, universal suffrage is self-evident; but in respect to the power to tax, *not at all*.

The obligation to pay taxes is not common to all and the obligation to pay taxes at higher rates of taxation dependent upon your earnings is even more clearly not common to all. Neither welfare dependents nor employees of the state *pay taxes in*

*any sense of paying more taxes than what they receive from the state.* How can people who have no real practical obligation to pay taxes have any power to impose duties upon the real taxpayers? Only the taxpayers have any obligation to pay taxes and thus only taxpayers deserve any rights to vote for a body that has the power to tax. Moreover, a taxpayer who has only the obligation to pay \$2000 in taxes can hardly have the right to impose the duty to pay more taxes on a higher earning taxpayer, since this simply once again discriminates against the latter. So either, all taxpayers pay the exactly same dollar amount of tax or it seems that *since just government requires the consent of the governed*, that each taxpayer's individual power to tax and to spend, expressly given through voting for some representative body, *must be directly proportional to the taxes they are obliged to pay.*

### **Reform of the Balance of Powers**

Upon recognising this principle of reform, we must review the Balance of Powers in our Democracies. The West has, in varying degrees, always sought to separate the legislative, executive and judicial branches of government, not because of chance or convenience, but because a Balance of Powers between the branches of government avoids concentration of power, since history shows us, as Lord Acton famously noted, that power corrupts and absolute power corrupts absolutely. The power inherent in the majority voting via universal suffrage, *in all matters*, concentrates power in a way that is, frankly, absolutely corrupting.

In the nineteenth century, before the advent of universal suffrage, not merely law-making, but both fiscal power and fiscal obligation were represented within the voters for the legislature, since voting then was essentially restricted to owners of property who agreed, since individuals can never agree on too much, that government must necessarily be limited in its scope. They certainly did not want to impose discriminatory taxation upon themselves. Once suffrage was extended and then made universal in the early twentieth century, no matter anyone's capacity or contribution, fiscal power certainly remained in the legislature, but *not fiscal obligation*, and thus were the taxpayers disenfranchised. A Balance of Powers designed for an eighteenth century America and Europe, was undermined, becoming rudderless in the twentieth century.

Of course, no one of clear moral faith would ever ask another person to be taxed on a discriminatory basis compared to them simply because the other person earned more or was wealthier, since for any Christian, if you take something without consent, we call this *theft*. But faith has proven ephemeral and when a philosophy arising out of Marxism justifies progressive taxation, to redress alleged social inequality, collectivism becomes hard to resist for the majority. Once you start stealing, and the law-abiding victim barely resists, terrified of the consequences (since tax evasion is a penal offence), you realise in fact that *you can do anything you want*, impose any law you wish, establish any arbitrary power, because you are in the majority, able to sleep well at night protected by the collectivist ideology, while the taxpayer suffers from the loss of control over his life's labours. No doubt the majority sincerely believes that whatever form of taxation they choose does serve 'social justice', because state education indoctrinates most people in the West for the first fifteen years of their lives, and nothing is surer than a state school teacher preaching collectivist philosophy to the innocent ears of our children; propaganda has always underpinned collectivist states.

Thus, the theory of the Balance of Powers needs expert restoration, like any magnificent work of art. We must find a way to re-ballast the glorious ship of Democracy before she founders on the invisible rocks of absolutism. Un-restricted majority rule is absolutism reborn, able to oppress at will with the force of unjust law, to coerce any minority to do that which the majority deems is 'fair, socially just or equitable' or in fact just because they want to do so.

Since we agree that universal suffrage cannot be amended in respect to the legislature, it seems for now that all we can do is try to ensure that the taxpayers finally are asked for their true consent in respect of taxation

### **The Fiscal Branch**

Call this fourth branch of Government, the *Fiscal* Branch. This is to say that in the interest of restoring government to a true Balance of Powers, and indeed, closer to principles of individual liberty, it seems reasonable that only taxpayers can possibly be competent to vote on matters of taxation, this being a pure fiscal matter. Who else

could have any right to decide how much a taxpayer is taxed? Someone incapable or unwilling to work or to earn enough to pay taxes has no right to impose through coercion any duty upon the taxpayers. We must tightly secure this liberty or we will fail to reform the Balance of Powers, and invite continued tyranny of the majority.

In consequence, the reform proposed is that the Fiscal Branch, concerned only with questions of taxes and spending, be established in our democracies through Councils of Taxpayers' Representatives elected by all the taxpayers who cast votes of varying value determined by *the weight of the contribution to taxes of each taxpayer in proportion to the total taxes of the State*. Thus if the total revenues of the State were one million dollars, and a taxpayer paid fifty thousand dollars tax in a particular year, his right to vote would be 5% of the total votes able to be cast by all taxpayers. Thus in a system of proportional representation for the Council, such a taxpayer could select 5% of the Council's members. *So quite clearly, a taxpayer's rights to vote for the body having the power to tax must be calculated simply as giving one vote to that taxpayer for every pound of tax he pays.*

Not all taxpayers are natural persons but taxes paid by tax-paying entities can be imputed to the ultimate owners, the natural persons, where they are resident taxpayers and the weight of the right to vote, represented by their taxes, is simply distributed in specie to the relevant resident taxpayers.

True representation for the taxpayers does not involve any great change to the existing democratic process. There is no need to upset existing institutional arrangements, except to establish this Council of Taxpayers' Representatives, creating the Fiscal Branch of Government. The Council has little to do other than to convey the true consent of the Taxpayers in respect to questions of taxes and thus interacts with the legislature and the executive for the purposes of negotiating the taxes proposed or indicated as a consequence of any law passed by the legislature.

There can be no compromise on this limited power of the council. Without this limited power, consent is not obtained, and any resulting tax law is unjust. Of course there will be conflicts between the taxpayers with the legislature or the executive and one could imagine very specific exceptions for executive prerogative, in the case of war for

example. However, in the end it remains utterly objectionable that the legislature could seek to levy taxes or spend money from such taxes without the true consent of the taxpayers. They will just have to compromise.

## **Equity in taxation**

What is the equity we seek in taxation? It is not the redistribution obsession of the collectivists. This leads to economic ruin, meanwhile entrenching the very powerful in society, those whom collectivists once hated, but now have as their allies for the corporate State. It is no accident that multinationals and favoured domestic corporations pay tax at far lower effective rates compared to small businesses or individuals. Small businessmen or mere salary earners cannot afford expensive tax counsel or negotiate special preference with governments.

The equity we seek in taxation is that those who *most benefit* from the State's protection and laws, the wealthiest, *must bear proportionately the greater burden of taxation*, since it is only the existence of the State and the Rule of Law which enables private property to exist, to be protected or to have any value.

We can hardly expect a near pauper or struggling working class father to pay taxes when expert legal and tax counsel can assist large corporations and the wealthy to minimise their income and corporate tax burdens. There is nothing illegal about arranging your affairs so as to minimise your tax burden, but we must define a tax system in which this is difficult to achieve, with no deductions or other chicanery, and where the majority are not left, as is the case today, with the searing impression that the tax code is so complex that those better placed in society *can avoid their obligations*. This feeds a sense of apparent injustice, correctly or not.

What is also clearly unacceptable in a free society are taxes which are highly intrusive into the private affairs of individuals allowing the State to enquire, with the menace of imprisonment, into every personal matter of an individual, and to require individuals in their private and business lives to be duty bound to make regular detailed reporting to State authorities and subject themselves to interrogation and surveillance at will by agents of the State. The State is the servant of the people, not

otherwise, and a free people can never give their consent to such treatment. Most people, having been born into the current system, cannot conceive of what life was like before income tax, and how much individual liberty, particularly privacy, has been eroded by its imposition.

We must also eliminate whatever fiscal measures prevent the accumulation of capital by the most productive members of the lower and middle classes and what consequently stops most of them ever becoming independent or launching new enterprises, as these are the people who would normally be rising in society, creating new endeavours and jobs and carrying forward innovation of every type. Our current tax system entrenches the wealthy and powerful over the middle and working class, favours large business over small because of the formers' tax planning capabilities, and ensures most of the ambitious middle and working class, unable to build up serious capital, remain as employees in large organisations, preventing many from rising in society. Worse, their taxes finance, via the Welfare State, many who are simply indolent, while the average working couple struggle to raise their families decently. Of course, the State can create tax exemptions for savings, but the taxpayer wants no favours from the State, he will do whatever he wants with his own money. It is not for the State to decide.

Taxation in a free society does not need to generate the revenues required by today's Welfare State. If we are worried about how this might leave inequitable gaps, eg. the capacity of able people to be educated properly, we can via a mixture of subsidy and loan guarantees, seek to maximise opportunity in education within the constraints of a free society. Similarly we can provide for hardship in the case of acute health problems. Humane policies are critical to a free society, but where they must be financed, they must be undertaken with the consent of the taxpayers.

The tax system to be preferred therefore must abolish income tax for individuals and businesses, i.e. no taxes on wages and salaries, profits, rent, interest and dividends, and simply tax *wealth* by:

1. Taxing the market value of land, together with the insurable value of assets like buildings, equipment, other chattels, accounts receivables and inventory;

2. In the case of financial institutions ultimately operating within the tax jurisdiction, tax the market value of their assets (or liabilities, whatever is easier) so as to capture bank deposits;
3. In the case of tradeable securities issued ultimately by businesses operating within the tax jurisdiction, tax their market value, in order to capture investment portfolios.

The taxation in this manner is direct, inescapable and easy to collect.

In this way, since the wealthy individual (or anyone for that matter) can only own such assets, almost all wealth should be directly and indirectly taxed. Consumption taxes are to be avoided as they fall heavily upon the poor. People can shift their deposits outside the tax jurisdiction, but the incremental benefit would hardly offset the lower utility. People can choose not to insure their assets, but that would seem unlikely. If they insure in a concealed fashion, it is easy enough to make law that the benefits of any payout (e.g. for a house fire) from a concealed insurance policy would be foregone and be payable to the state. For financial institutions, the tax on assets would be less onerous and simpler than corporate tax, and as for tradable securities, the additional protections offered by the State for the securities markets, the low tax burden, and the ease of collection makes this tax reasonable, in order to avoid the impression forming in the mind of the common man that a *rentier* (wealthy investor) living off his vast portfolio income, in a rented luxury apartment, might somehow escape taxation entirely.

There is the issue of retirees and how we avoid onerous annual tax payments in cash during their twilight years, but this is easily dealt with by offering them the option, upon retirement, to avoid annual wealth taxes in favour, upon death, of a payment from their estate equivalent to the foregone taxes.

Revenues will fall far short of current government revenues, but that is likely to be the preference of the majority of taxpayers, voting in proportion to their contribution. The

Welfare State was not built with the consent of the taxpayers, and, in consequence, it shall be dismantled if the taxpayers do not consent to it.

### **Demonstrating the model of just government by consent**

Practical implementation of these ideas is not easy. Resistance by people who are the most law-abiding in our society must be done in a way so as not to provoke or provide any pretext to the state or its allies to deploy their powers in any oppressive sense. It is suggested that taxpayers in their different countries, counties, and states organise broad-based internet-anchored virtual Councils of Taxpayers' Representatives with anonymous commitment, to ensure secret ballots, audited as regards taxes and voting by weight of proportional contribution, in a manner to *guarantee both privacy and credibility*, with the goal of bringing into this endeavour, in each jurisdiction, taxpayers representing the majority of taxes paid. The objective is to demonstrate to the public what a Fiscal Council would do, in practice, what their views would be, and how this would change society for the better, over-turning auction politics, exercising constraint upon the career politician, lobbyists and courtiers, restraining exuberant activism and arbitrary rule. This may give the people the courage to support constitutional change to establish the Fiscal Branch of Government. Such a public display by the taxpayers of their objection to current taxation and state spending will demonstrate that government is not now acting with the consent of the governed. The union movement delivered more for the working class than democracy ever did and thus for taxpayers, the basic principles of the union movement, in the absence of constitutional reform, would appear to be the best guide as to how to organise in order to optimise the taxpayers' negotiating position with government.

If I were an American living under a federal system of government, I would not seek to reform the structure of the federal government too abruptly. Since the US constitution is probably the most profound design of government yet seen, it seems unwise to tinker with it given that numerous amendments since 1787 have already undermined much of the founding fathers' spirit. It seems more prudent to reflect that there are fifty states which can serve as laboratories in the US for testing varying models of constitutional reform aimed at restoring true representation to the taxpayers, perhaps by converting state senates into taxpayers' councils. If a critical



mass of states adopted bicameral systems retaining both a popular house while installing a taxpayers' council as the second chamber, then it would be up to these states to assert their rights in a peaceful manner vis-à-vis the federal government through their federal senators, and seek to practically install the Fiscal Branch in the federal government.

As for the UK, as an example of a centralised unitary state, it seems obvious that the powerless House of Lords, which once acted as a restraining influence upon the House of Commons, serves virtually no purpose and that the British would be best served by dissolving the House of Lords and replacing it with a House of Taxpayers with the sole constitutional powers to decide questions of taxes.

### **Objections to Liberty**

The collectivists and the career politician (fearing for his job) will scream that dismantling the Welfare State will remove the safety net for ordinary people. Firstly we would answer that the problems of poverty are better addressed through eliminating income tax, removal of consumption and value added taxes, removal of subsidies to inefficient economic sectors indirectly burdening the poor, and, where necessary, by direct subsidies to the *working* poor. There is no point supporting those who don't work, other than where they are physically incapable of earning enough to live decently, since this kind of welfare creates generations of multiplying dependants, attracts waves of foreign economic refugees hungry to taste western welfare, while a growing industry of 'welfare providers' employed by the State absorbs an increasing proportion of taxpayers' money intended for the less fortunate. Welfare rewards lack of effort and combined with progressive income tax, has shown itself to be a poverty trap. If an economy will ultimately fail because of the degree of welfare support provided, because the financing of that support deters investment, economic growth and entrepreneurial expansion, then it is doomed to failure. The best way to address nature's inequalities is to focus upon education for the poor's children and to remove barriers to social mobility, of which progressive income tax stands out like a sore thumb. Finally, most poverty relief is achieved by generally rising prosperity as living standards improve over time, and that is the central tenet of our economic beliefs.

This is not a view shared by the Left. Of course, like us, a collectivist is entitled to his opinion, but we would respond that if you cannot pay for your ideals other than through expropriation and menacing higher wage earners with prison if they do not submit to your cherished progressive taxation, then perhaps you should enquire deeply into your soul and ask what is lurking there.

By establishing the Fiscal Branch of Government, we do not seek to in any way interfere with universal suffrage in respect to the legislature, and remain committed to its equity, but merely wish to restore a true Balance of Powers, and ensure that we respect the principle that *just government is only possible with the consent of the governed*, and since the taxpayers have never given their consent to modern taxation, it is time to give taxpayers the representation they have been denied since the onset of progressive taxation and other measures of expropriation used to finance the Welfare State and similar collectivist folly.

There is *no* utopia in a free society, but at least you are free, pretty much to do what you want, even if this means occasional hard times for which you must be prepared.

### **Economic objections to the unintended consequences of universal suffrage**

There are also frightening economic objections to the unintended consequences of universal suffrage. Would the average citizen really borrow as recklessly in the absence of the welfare state? The welfare state, together with populist government and an accommodating central bank (for printing money), has created enormous moral risk where the citizen believes the government will cover his losses. Modern capitalism, as a result, has aspects of a casino, with the public gambling wildly (taking on huge debts) while the government behaves like a benevolent croupier giving the losers extra chips until suddenly we realise that all the chips are worthless. Of course this all fails in the long term, but western society may be so fond of hedonism that there is no sense of the long term. Ironically, it is fair criticism of anyone retaining old fashioned virtues such as an aversion to debt and a preference for thrift, that firstly they subject themselves to unnecessarily high taxation (no interest deductions on debt), secondly are saving a depreciating asset (due to inflation) and thirdly are missing the opportunity to exploit the windfall gains of the

speculative capitalism (leveraging real estate and equities) that has characterised western democracies since the full impact of the welfare state, progressive income tax and central banking. Old fashioned virtue is, in fact, naïve in such circumstances, since the policy of the state in a democracy constructed purely upon universal suffrage is, in the case of adverse economic circumstances, to move to expropriate through tax and inflation such wealth and income as may be seized in order to bail out the majority, as otherwise widespread bankruptcies would imperil the privileged position of career politicians.

It is difficult to imagine how damaging the pervasive moral risk driven by state policy arising from universal suffrage has been to our long term prosperity, since we will never know what we missed. But the diversion of capital into unproductive speculation with repetitive asset bubbles must have been at the expense of enterprise, in particular investments increasing productivity or financing innovation. The inability, due to progressive income tax, of millions of aspiring working and middle class to accumulate the capital required to launch new endeavours, surely represents the other side of the coin, the missing businesses and employment opportunities. The build-up of massive debt levels in the West, huge foreign debts in the cases of US, Australia, and others, particularly in the past twenty years, due to lack of local savings, excessive consumption and unbridled real estate speculation, has occurred at the same time millions of jobs have been lost by the West, tending to suggest that the hollowing out of the industrial capacity of the US, and to a lesser extent Europe, is yet another unintended consequence of undisciplined universal suffrage. This hollowing out of industry has not happened in Japan or Singapore, where industrial capacity, if anything, is stronger than twenty years ago and where one can visibly observe the virtues of thrift, hard work, and modest consumption.

Thus, Americans and other Anglos in particular, but also Europeans, might still feel physically comfortable, but gnawing away inside us is the conviction that ultimately our unreformed democracies, built on universal suffrage, will economically fail. Our real incomes are stagnating, the cost of living is rising, and we watch our industries, rendered uncompetitive for lack of investment, shutting down and transferring to the emerging economies. We are surrendering our place in the world to the ambitious, striving billions of the third world, finally emerging from the misery of communism and

like-minded ideologies, while we in the West seem at a loss to know what to do. Perhaps this crisis of faith in ourselves might be contributing to the collapsing birth rate in the West. We know one thing for sure. A civilization whose population is dying out is certainly not one that is successful. Somehow, perhaps, faith in a civilization of Life may be linked to the construction of a freer society where individuals are more self-reliant, their lives always in the balance, walking the wire without a safety net below them.

Should we continue along our present path the future of the US and Europe may resemble Latin America, with a rich oligarchy protecting itself by any means possible, while a diminishing middle class sinks into poverty, due to the failure to invest enough in the past half century in productive undertakings, resulting in falling living standards while the economic refugees of failed states flood into our countries. For a glimpse of a possible future, ask a middle class family in Bombay, India, who were educated middle class at independence in 1947 what happened to their living standards, as socialist policies wreaked havoc resulting, by the 1960s, in a collapsing rupee and soaring inflation, with literally millions of destitute peasants streaming into Bombay desperately seeking work, overwhelming the infrastructure of Bombay, while democratic governments fell into the hands of people no better than gangsters rendering corruption endemic.

Once auction politics begin to strangle democracy, the most successful politician will be the most immoral, since virtue has no appeal to a majority lusting for the savings of the taxpayers. In India, as a result, mortgages disappeared along with consumer finance, victims of surging real interest rates as capital fled India's shores leaving hundreds of millions without the possibility of decent housing or the possibility to satisfy basic needs and wants. Of course now Bombay is rising, as more enlightened politicians slowly lead India out of its post-independence mess, but a cynic would say that only the collapse of the Soviet Union, of which India was a satellite, caused such a crisis that out of this despair was once again born semblances of liberty and private property, enabling Indians to hope for a more prosperous future. Can you imagine that Europe will avoid the same fate? Its welfare state shines like a beacon to the millions of economic refugees of failed states. At least in Bombay, the desperate peasants had no option but to work, but in Europe we will pay them even if they do

not. Of course one day Europe would emerge from an époque of misery similar to that experienced in Bombay and the rest of India, but Europeans lack the passivity of a Hindu, so the nadir will be more abject and violent, the recovery less certain and longer.

Can we imagine that we would willingly abandon our children and grandchildren to this destiny? We have never been fatalists in the West and we have faith that the world can be changed for the better: liberty restored. But the road to a free society is littered with scorpions and we can only hope that there are amongst us those courageous enough to *mutually pledge to each other our lives, our fortunes and our Sacred Honour*, and strong enough to prevail. To appreciate the calibre of the enemies of liberty, I note what I found recently outside the Hungarian parliament, in Budapest, scrawled on cardboard, next to the memorial to those brave Hungarians murdered by Soviet troops on 25 October 1956:

*'The system of communism has failed in every sense. However it will be very hard to get rid of communists, for there is nobody as dangerous as the usurper of a failed system, who abandons the system, but guards his loot, and power position.'* - **Sandor Marai**

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