



Popular Economics

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Financial FAQs

What Do We Mean by Fair Taxes?

Harvard Professor N. Gregory Mankiw believes the rich pay their “fair share” of taxes in his July 15 op ed piece, “Fair Taxes? Depends What You Mean by Fair.” But using President Bush’s pronouncement that, “On principle, no one in America should have to pay more than a third of their income to the federal government,” is not a very believable standard. This is a president, after all, who has run up the largest federal budget deficit in history and a federal debt load that exceeds \$8 trillion, much of it owed to foreign investors.

We can think of a better definition of ‘fair share’. For example, the fact that the poorest fifth of our population (20 percent equals 60 million people!) have an average annual income of \$15,400, is below what the U.S. Census Bureau has deemed the poverty line. Why should they be taxed at all? And we are supposed to be the richest country in the world?

Why not make the measure of what is ‘fair’ how our taxes are spent? For taxation policy is really a mechanism for the redistribution of wealth. Maybe there would be little debate on taxation policy, or the need to raise or lower taxes, if we had a balanced federal budget, for example. Half of our ‘unbalanced budget’ is now spent on the military. And so it is the military-industrial complex and its supporters—the likes of VP Cheney’s Halliburton, the Carlyle Group, and oil companies—who benefit most from our tax monies. Much less is now spent on the much more important human capital that determines our standing and competitiveness in the world—like education and health care.

We are falling behind the rest of the developed world in many categories of human capital: a decent health care system (including for our veterans) would not allow more than 40 million uninsured. An adequate educational system would not allow our elementary and high school children to rank lower in math and reading skills than those in Japan and other developed countries.

These results are confirmed by scientific studies. U.S. citizens now have much longer working hours than in other developed countries, fewer benefits including paid vacations and sick leave, a greater incidence of major diseases, shorter life spans, and higher infant mortality than in some developing countries (including Cuba).

So why not concentrate on a ‘fair’ distribution of our wealth? Other developed countries spend their tax monies more wisely—i.e., on their citizens rather than war-making ability. And that increases their ability to compete globally. Libertarian philosophers and economists such as Milton Friedman like to cite the ‘freedom to choose’. But we know from evolutionary psychologists and behavioral economists, among others, that the wealthy are freer to make intelligent choices than the 60 million of our poorest members.

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