

Progressive Town

In our little imaginary town we have one business owner who hires an accountant, an engineer and 10 assembly workers. They all have a wife and two kids, so altogether there are 52 people (13x4 people) tied to the plant, enough for one doctor in the town. Since these 13 couples have 26 children, there are just enough kids for one teacher in a one-room schoolhouse.

The business owner had scraped enough money together throughout his life for the down payment to buy the plant that employs the accountant, the engineer and the 10 assembly workers.

The accountant and engineer both remained in school for an additional 5 years, obviously without being paid a salary for those 5 years, and started off their delayed work life with a student loan they had to pay back with interest.

The teacher remained in school her entire life and never worked in the sense of a factory job. But again, she still had to invest 4 additional years in school without pay and had to get a student loan to survive through it all. She was only making the same as the assembly workers, but then she only worked 9 months out of the year and was home with her kids when they were out of school. Seemed like a good trade-off to her. She didn't want to work in that loud, dirty factory and enjoyed the innocence of little children better.

The doctor remained in school for an additional 10 grueling years including his rigorous internship and had a huge medical school loan to pay back.

The assembly workers started work right out of high school, earned money for all those years that the business owner, the accountant, the engineer and the teacher were scraping by in college. And none of them had a college loan to pay back, nor had any money invested in the plant.

Initially, all these people believed in the noble Declaration of Independence which states that "All Men Are Created Equal", and furthermore, if all men are equal then all men should be treated equal by government.

Hence, each man had only one vote and each man had to pay the exact same \$10,000 to support his government.

In this town, the citizens truly believed in "taxation with representation." "If you tax me, then I get an equal vote as anyone else does in how those taxes are spent."

Taxation with Representation	<i>Business Owner or CEO</i>	Accountant and Engineer	Assembly Workers	Doctor	Teacher
Salary/Year	\$200,000	\$100,000	\$50,000	\$300,000	\$50,000
Persons	1	2	10	1	1
Total	\$200,000	\$200,000	\$500,000	\$300,000	\$50,000
Taxes/person	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Total Taxes	\$10,000	\$20,000	\$100,000	\$10,000	\$10,000

The government collected \$150,000 for itself through taxes. And those tax dollars were spent evenly on all citizens equally.

But a crafty politician noticed that if all the assembly workers voted together, they would have 10 votes, while all the other citizens put together had only 5 votes.

So the crafty politician told the assembly workers that they were being ripped off.

He told a gathering of assembly workers that “Did you know you pay 67% of all the taxes, which is less than all the greedy business owners, all the greedy accountants, all the greedy engineers, all the greedy doctors and all the teachers put together? Your \$100,000 in tax contribution to government is twice the meager \$50,000 tax contribution of everyone else”

He went on, “It is not fair that you make so little and yet your tax is twice as great as those greedy guys with all the money! Tell those greedy rich guys you will not take it anymore. They can afford to pay more because they make so much more.”

At election time, the 10 assembly workers liked what they heard and voted for the crafty politician. Meanwhile, the remaining 5 citizens didn’t think things were unfair in the least and voted for his opponent. In the end, it didn’t matter how the others voted, the crafty politician won easily.

As soon as the crafty politician got into office, he fulfilled his campaign promises and changed the taxes from an “equal and fair tax” to a “tax based upon a percentage of your income”.

Here is how it looked to the politician when he changed the rules. Compared to the new tax rate of the assembly workers of \$6,000 each, since the doctor made 6 times what the assembly workers made, therefore he was to pay 6 times as much in taxes, or \$36,000, even though he still had only one vote. Likewise, since the business owner made 4 times as much as his assembly workers, then he would have to pay 4 times as much tax, at \$24,000, but get no more right to vote. Even the accountant and engineer were no longer going to pay the same in taxes as the assembly workers, but now were to pay twice as much tax.

Taxation by Percentage **BEFORE**	Business Owner or CEO	Accountant and Engineer	Assembly Workers	Doctor	Teacher
Salary/Year	\$200,000	\$100,000	\$50,000	\$300,000	\$50,000
Persons	1	2	10	1	1
Total	\$200,000	\$200,000	\$500,000	\$300,000	\$50,000
Taxes/person	\$24,000	\$12,000	\$6,000	\$36,000	\$6,000
Total Taxes	\$24,000	\$24,000	\$60,000	\$36,000	\$6,000

The crafty politician still had \$150,000 to spend, and the voters who elected him got a \$4,000 tax decrease. Furthermore, much of that \$150,000 was coming back to the assembly workers. After all, if the taxes did not need to be collected evenly, then the taxes did not need to be spent evenly either. They were all happy – very happy! Even the teacher was happy for she too had a decrease in her taxes by \$4,000 and her school loans were forgiven with part of that government money because she taught for the government schools.

Not so happy were the doctor when he saw his tax bill jump 260%; nor the business man who saw his taxes jump 140%; or even the accountant and engineer with a 20% jump.

In response, the doctor raised his fees on the assembly workers to make up for the additional taxes and then raised them even higher when the lawyers of the crafty politician started suing him for malpractice every time he turned around and his medical insurance shot up through the roof.

Since the assembly workers were now paying \$4,000 less in taxes and the government had set up “safety nets” for them, the business owner could layoff all the previous workers putting them on government unemployment and pay the new replacement workers \$4,000 less. This “saved” the owner \$40,000 for all 10 assembly workers.

But what to do with the accountant and engineer?

If the owner did not take care of them well enough, then no one would go through the trouble to stay out of the workforce long enough to learn these hard boring professions in college. So he raised their salaries by \$2,000 each to make up for the additional taxes being taken out of their salaries. This left him with a gross of \$36,000, which more than made up for the additional \$14,000 in taxed he would have to pay.

Taxation by Percentage **AFTER**	Business Owner or CEO	Accountant and Engineer	Assembly Workers	Doctor	Teacher
Salary/Year	\$236,000	\$102,000	\$46,000	\$330,000	\$50,000
Persons	1	2	10	1	1
Total	\$236,000	\$204,000	\$460,000	\$330,000	\$50,000
Taxes/person	\$24,000	\$12,000	\$6,000	\$36,000	\$6,000
Total Taxes	\$24,000	\$24,000	\$60,000	\$36,000	\$6,000

“WHAT ONE MINUTE!” says the crafty politician?

“THE RICH ARE GETTING RICHER AND THE POOR ARE GETTING POORER.” Cried the crafty politician.

“THAT’S NOT FAIR” roars the crafty politician. Continuing, “We need a PROGRESSIVE TAX!” says the crafty politician.

I am going to tax the rich at 50% (business owner and doctor), 25% for the middle class (engineer and accountant), and the poor should not have to pay any tax (assembly workers and teacher).

So the crafty politician gets elected again, and sure enough, he puts in place a progressive income tax.

Progressive Tax **BEFORE**	Business Owner or CEO	Accountant and Engineer	Assembly Workers	Doctor	Teacher
Salary/Year	\$200,000	\$100,000	\$50,000	\$300,000	\$50,000
Persons	1	2	10	1	1
Total	\$200,000	\$200,000	\$500,000	\$300,000	\$50,000
Taxes/person	\$100,000	\$25,000	\$0	\$150,000	\$0
Total Taxes	\$100,000	\$50,000	\$0	\$150,000	\$0

The crafty politician finds that his tax take on the economy has rose to \$300,000 to spend and the teacher and assembly workers are really happy that they have to pay no tax at all.

Paradise has arrived!

Now the business owner is really upset that he is only making about half of what he used to make and has absolutely no greater say in how the taxes were spent. In fact, if he were to even

suggest how the money should be spent, he would be called all kinds of nasty names by the crafty politician.

Meanwhile, the teacher and the assembly workers, now paying absolutely no taxes, get all the attention of the crafty politician, because he knows he has their rock-solid votes.

The business owner knows that his town has finally arrived at the sorry state of “REPRESENTATION WITHOUT TAXATION”

So, the business owner sets up a trust fund and stops paying any taxes at all. He did give \$10,000 per year in charity though. The same \$10,000 he was paying under the equal and fair tax.

Now he knows his assembly workers can afford to live on \$10,000 less a year, since they no longer have to pay the original \$10,000 in taxes. So he lays everyone off again, and rehires new employees at \$40,000 per year.

The engineer and accountant still need to be paid for their fair share of work, so he raises their salary by \$15,000 each. That’s a \$30,000 total expense compared to the \$100,000 savings from lower salaries on the assembly workers, so the business owner now has an extra \$70,000 in his pocket.

The Doctor finds ways to hide part of his income from taxes as he raises his fees. In reality, he is probably making \$400,000.

Progressive Tax **AFTER**	Business Owner or CEO	Accountant and Engineer	Assembly Workers	Doctor	Teacher
Salary/Year	\$270,000	\$115,000	\$40,000	\$300,000	\$50,000
Persons	1	2	10	1	1
Total	\$270,000	\$230,000	\$400,000	\$300,000	\$50,000
Taxes/person	\$0	\$25,000	\$0	\$150,000	\$0
Total Taxes	\$0	\$50,000	\$0	\$150,000	\$0

In the end, the assembly workers are the only ones confused why they are no better off than they were before they started. They don’t understand why they are working hard and still almost need food stamps from the crafty politician.

Thank Heavens we live in a free country which would never allow anyone to claim that doctors had become so expensive that government would need to take over medicine.

They even feel like having a revolution to kill all the totally and insanely greedy rich people. Not knowing of course that it was their own greed which brought them to this sad state of affairs.

Conclusion:

If only this basic “cutting of the pie” scenario were true, where after the tax laws are written, it is the business owner and the doctor who get to really make the last call in how the pie is cut, it would not account for all the misery in the land.

In fact, the assembly workers are getting much less buying power even as the economy is nearing the completion of the information revolution which increases efficiencies greater than ever. Their buying power should be greater now than ever with lower overseas costs, lower overhead expenses and all the other benefits of computers running the production floors.

In fact, there are plenty of other uninvited guests who have sat themselves at the table to help eat the pie with the assembly workers. And they are getting plenty fat!

The Christian Solution