Taxation is Theft

An Anarchist Guide to Taxation

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“Tax the rich” is an all too common refrain on the left which, thanks to left unity, has even been echoed by many self-proclaimed anarchists. “Taxation is theft” on the other hand is a slogan many anarchists are hesitant to repeat due to its association with right-libertarians despite it being far more consistent with anarchist ideals. When taxation is the main funding source for the military police state with only crumbs going towards an extremely inadequate welfare plantation system, why would anarchists want any more funding to go towards that no matter who’s fronting the bill?

Things get even more questionable when you consider what people mean by taxing the rich. That is usually proposed in one of two main ways: income taxes and corporate taxes. On the one hand, a negative income tax has been championed by both right and left libertarians as a potential funding source for a (non-universal) basic income system. On the other hand, income taxes, even when progressively tiered, have the issue of directly skimming off the fruits of one’s labor which seems unwise to do for a basic income system that is means tested rather than universal. And sure, most of the rich don’t labor themselves but rather skim off the fruits of others’ labor whom they exploit, but having the government skim more only compounds the issue and makes it worse rather than solving it.

As for taxing corporations, they don’t pay their taxes. They instead pass the tax burden onto the consumer via higher prices, meaning that such taxes hit the working class the hardest. Either that or they relocate to another area with less taxes and bring the jobs with them, known as capital flight, yet again hitting the working class the hardest by increasing unemployment.

Payroll taxes suffer from the exact same criticisms of income taxes, but hit workers even harder. Since income tax more broadly taxes income from all sources, not all of that income comes directly from labor, but payroll taxes are inherently tied to ones’ employment and leads directly to lower wages for workers, often while paying into programs most workers will never benefit from directly.

Sales taxes are inherently regressive due to the fact that the poorer you are, the bigger percentage of your paycheck is spent rather than saved, meaning that lower-income persons pay disproportionately more of their paychecks towards sales taxes than the rich. Seemingly uncaring to this negative effect, many on the right have championed a Flat Tax, which would eliminate the IRS and all other taxes in favor of a flat sales tax. While it is a positive that such a plan does eliminate the IRS and abolish all other taxes and sales taxes might be easier to avoid than others via agorist means, we cannot at this point survive solely via agorist economics and thus will feel the negative impact as prices rise anytime the government decides to raise taxes, with income never rising to match.

One of the more radical tax proposals proposed in mainstream conversation in recent decades was the Fair Tax. Championed by Libertarian Party members like former presidential candidate Gary Johnson and many in the Tea Party movement, the Fair Tax plan proposes the abolition of the IRS in favor of a flat sales tax combined with a universal basic income plan. While sales taxes are a form of regressive taxation due to the fact that poorer people end up spending a larger portion of their net incomes, combining it with a UBI set at the poverty level actually makes it a progressive tax plan. While poorer folks may pay more up front in taxes, those below the poverty line will receive more back than they paid via their UBI check, meaning they effectively pay zero in taxes and earn enough extra from the UBI to keep them above the poverty line. This could arguably be seen as a decent transition towards a more just taxation system.

Capital gains taxes are taxes on profits realized on the sale of assets such as stocks, bonds, precious metals, real estate, and property over a certain amount. While these types of taxes disproportionately fall on high-income households since they are more likely to own assets that generate taxable income, they are also more able to defer or avoid the tax as it only comes due if and when the owner sells the asset and can be passed down to low-income taxpayers by incorporating the tax into the price when selling to poorer buyers. Capital gains taxes also make it less affordable for low-income individuals to make investments of their own, making it more difficult to escape the trap of poverty.

Dividend taxes are taxes on dividends paid by a corporation to its stockholders. This has been criticized as often leading to double taxation since dividend payments can also be taxed in many jurisdictions as unearned income under the income tax.

According to the Cato Institute:

> First, high dividend taxes add to the income tax code's general bias against savings and investment. Second, high dividend taxes cause corporations to rely too much on debt rather than equity financing. Highly indebted firms are more vulnerable to bankruptcy in economic downturns. Third, high dividend taxes reduce the incentive to pay out dividends in favor of retained earnings. That may cause corporate executives to invest in wasteful or unprofitable projects.

Such taxes not only discourage investment but discourage corporations from paying out those investments to shareholders, making investing that much more difficult for the average person.

The various financial transaction taxes proposed, from the Tobin Tax to the Robin Hood Tax, have similar issues of discouraging investments disproportionately among the poor who are less able to afford the increased cost of investing. The US Chamber of Commerce estimates that such proposals could double the cost of such transactions, with The Guardian further reporting that a "study commissioned by the chamber estimated that a 0.25% tax would serve to cut the typical dividend offered by mutual funds from 2% to 1.75%. Investors would react by driving down stock prices by an eighth to restore the yield to 2%, pushing the Dow down from its present level of around 10,000 to 8,750," meaning a plunge of 12.5%. While this might harm the rich in mostly inconsequential ways, it'll harm poor investors much more substantially, harming the r/WallStreetBets crowd far more than Wall Street itself.

Tariffs, taxes on imports and exports, are used as a form of protectionism by countries to encourage national production and consumption. While we should encourage economic localism where feasible for a multitude of economic, political, and, most importantly, environmental reasons, there is a near unanimous consensus among economists that such taxes have a negative impact on economic welfare. Even the late marxist icon Friedrich Engels railed against protectionism in 1888 essay *On the Question of Free Trade*, instead advocating for free trade.

Death taxes, also known as estate or inheritance taxes, are easily avoidable with careful estate planning, making them effectively a tax on those who fail to plan ahead, are unskilled at such matters, or are too poor to retain a quality estate planner. This means that while many death taxes allow for inheritances under certain amounts to go untaxed, such taxes still fall disproportionately on the poor who have less access to the financial management resources needed to avoid them. This has been especially an issue for small farmers since agriculture requires more capital assets to generate the same amount of income as other businesses, causing more small farmers to sell their farms to avoid taxation. Created as a means to generate fast income during the Great Depression by encouraging the rich to avoid the death taxes by opting instead to transfer assets while still living. This again benefits the rich over the poor, subjecting the poor who have less assets able to be transferred while alive to far more taxation.

If protectionist taxation discouraging importing and exporting or taxes on investments and savings discouraging investing and saving didn't make the pattern clear, taxing things discouraging those things. Sin taxes are a recognition of this fact weaponized to enforce morality. Such taxes are about as socially unlibertarian as you can get, using taxes as a drug war tactic to limit the consumption of tobacco, alcohol, and other legal drugs, as well as a tactic to limit things like gambling, pornography, and junk food. Taxation of these so-called vices also creates black markets for untaxed versions of these goods, including illegal gambling and moonshining, fueling related violent crimes as a result.

Property taxes are taxes levied on the total value of a property. These taxes are shown to be regressive, disproportionately falling on low income/high asset individuals such as small farmers and pensioners. There is often little to no relationship between property tax rates and an individual's ability to pay said taxes short of selling said property. At the end of the day, property taxes mean that individuals cannot actually own property. The government owns said property and if you do not continue to pay rent to them, you can still be evicted by having your property reposessed.

By contrast, many geolibertarians have advocated land value taxes which tax the value of land itself without regard to buildings or other improvements made upon it. Unlike other taxes, it is progressive since land ownership tends to be more reflective of a person's wealth, especially since most land value tax proposals make exemption for one's primary personal residence. This actually allows for true home ownership, only taxing secondary properties. The idea behind such a tax is that land is a communal resource created by no human hand, and thus should be held for common benefit. Since shelter is a necessity for survival, it is to our collective benefit to allow for the use of some of the commons for our primary shelter without compensation, but when someone wishes to keep any other piece of land from public use, they should compensate the community for that loss by paying rent to the community based on land value alone. Unlike other taxes, it does not discourage economic development or lead to economic inefficiencies, leading many to call for the abolition of all other taxes in favor of a single land value tax.

Many land value tax advocates also advocate for a carbon tax under the same principles. The idea is that if you bring harm to the commons via carbon pollution, you should compensate the community. While carbon taxes, like most others, arguably hurt the poor the most, they also reintroduce a negative externality that producers and consumers have been sheltered from due to various other government interferences. While it will mean higher gas and electricity prices, it will also increase demand for less costly and more environmental alternatives, such as renewable energy and public transportation. This is a necessary transition and if we have to force it by making carbon-heavy products more expensive in order to incentivize consumers to buy more environmentally friendly products, thus increasing demand and incentivizing the market to meet such demand then so be it. We can complain about producers being the issue but unless we change the incentives, they won't change their behaviors.

So at the end of the day, no, don't tax the rich. Taxing the rich only hurts the poor. Fight instead to abolish the IRS and all forms of taxation, except arguably land value and carbon taxes. Instead of wasting time advocating to tax the rich, spend that time instead advocating ways for the poor to avoid taxes. Tactics such as voluntary poverty, working off books, tax havens, using anonymous or pseudonymous cryptocurrencies, shopping secondhand on the green market, or working, buying, and trading on the gray and black are what leftists should be focused on instead of helping the state collect more funds for prison slavery and the military.

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