



ARTICLE

Creating Galt's Gulch from Scratch? Economic practicalities of a libertarian nirvana

The innovative concept of creating a libertarian nirvana at sea still faces major challenges from tax authorities, writes Cato's Dan Mitchell



Written by [Daniel J. Mitchell](#) on 18 August 2011 at 9am



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Seasteading: A vision of the future?

Advocates of limited government love to fantasize. But because we're strange people, we don't have ordinary fantasies about supermodels or playing pro baseball. We daydream about a libertarian nirvana, where the rights of individuals are protected, guided by a moral order based on freedom and responsibility, and the leviathan state is forever constrained.

Ayn Rand created a fictional version of this free society in *Atlas Shrugged* and called it Galt's Gulch. But some advocates of liberty want to turn fiction into reality.

Here are some [excerpts from a Yahoo story](#) about the efforts of a libertarian entrepreneur.

Pay Pal founder and early Facebook investor Peter Thiel has given \$1.25 million to an initiative to create floating libertarian countries in international waters, according to a profile of the billionaire in Details magazine. Thiel has been a big backer of the Seasteading Institute, which seeks to build sovereign nations on oil rig-like platforms to occupy waters beyond the reach of law-of-the-sea treaties. The idea is for these countries to start from scratch—free from the laws, regulations, and moral codes of any existing place. Details says the experiment would be “a kind of floating petri dish for implementing policies that libertarians, stymied by indifference at the voting booths, have been unable to advance: no welfare, looser building codes, no minimum wage, and few restrictions on weapons.” ...The Seasteading Institute's Patri Friedman says the group plans to launch an office park off the San Francisco coast next year, with the first full-time settlements following seven years later.

I think this is a great idea, though I have two concerns.

First and foremost, creating a Galt's Gulch does not mean you necessarily escape oppressive laws. Places such as the Cayman Islands, Monaco, and Hong Kong are relatively free compared to the United States, but you can't escape the IRS by moving your money to these fiscal havens.

The [United States has a “worldwide” tax system](#), which necessitates a form of fiscal imperialism. And because America is the 800-pound gorilla of the world economy, almost all low-tax jurisdictions have been coerced into serving as deputy tax collectors for bad U.S. tax laws.

You may be thinking, “So what, Dan, we're talking about physically redomiciling, not just moving our money.”

Unfortunately, it's not that easy. Living outside the United States does not mean you escape the IRS. Unlike all other developed nations, America's worldwide tax system applies even to non-residents.

So you can only get rid of the IRS by [giving up American citizenship](#). But even that's difficult. Politicians have adopted reprehensible anti-expatriation laws – disgustingly similar to the ones imposed by Nazi Germany and Soviet Russia – that don't let people emigrate without first shaking them down for money.

So if you [want to move to a new Galt's Gulch floating island](#), you either have to do it before you achieve economic success or you have to pay a ransom to the thuggish clowns in Washington.

This certainly isn't an argument against what the Seasteading Institute is trying to do, but it is a warning that there will be barriers imposed by uncompetitive nations with high taxes and excessive intervention.

Simply stated, governments don't like competition. And they definitely hate anything that hinders their ability to collect tax revenue and buy votes. Indeed, this is why I spend so much of my time [fighting to preserve tax competition](#) (even if it means the possibility of [getting thrown in a Mexican jail](#)). If the crooks in Washington and other national capitals know that the geese with the golden eggs can fly away, they will be much less likely to impose bad policy.

All of this is explained in [this video on the economic benefit of tax havens](#).

My other concern is a personal gripe. The Seasteading Institute is planning to put their prototype off the coast of San Francisco. That's much too chilly. I vote for the Caribbean.

Daniel J. Mitchell is a Senior Fellow at the [Cato Institute](#), the free-market, Washington D.C. think tank. His articles are cross-posted on his [blog](#), by agreement.

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18 August 2011

Penalty abatement is a very common method for settling taxes for less than is owed. In fact, about one third of all penalties assessed by the IRS are abated at a later date. Ask "Free Tax Settlement" advisers for tips for your particular case

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