

The Washington Times

The Official Newspaper of 2012

RAHN: Taxation goes global

Distant bureaucrats want your money with little accountability

By [Richard Rahn](#)

Monday, June 4, 2012

What government unit has the right to tax you - your local government, regional or state government, federal government or multinational organizations, such as the [United Nations](#), the [World Bank](#) and the [World Health Organization](#)? The reason the question is becoming more important is that rising numbers of politically powerful persons and institutions are calling for global taxes on such things as financial transactions, tobacco, sugar and carbon emissions.

The modern concept of the nation-state goes back to the Treaty of Westphalia in 1648. Among other things, it limited the power of the sovereign to the territory of the state, including the power to tax. The American Revolution was, in part, fought over the demand for “no taxation without representation.” Despite the success of the Revolution, the principle of no taxation without representation was violated from the very beginning, for both good and bad reasons. Once government divides people into classes and allows some classes to tax other classes, people can be taxed without their consent. The original voting franchise was limited to male property owners; hence, the “classes” of women and non-property-owners were taxed without their consent, along with blacks in the slaveholding states.

People are no longer classified by sex or race in most countries when it comes to voting rights, but it is fashionable to classify people by income or occupation and then tax them differently - thus denying a fundamental human right of equal treatment. Now this concept of unequal treatment and nonrepresentation is being promoted across countries, whereby people (even the non-rich) in rich countries should pay more taxes to support people in poor countries - in practice, all too often the corrupt ruling class.

The American founders understood that people would have more say over their government the closer it was to them, which is why the United States was set up as a federal republic. Under the Constitution, the [federal government](#) has few powers, and state and local governments have many powers if the people so choose. The power to tax is one of the most coercive powers governments have, so it is extremely dangerous to both liberty and prosperity.

Think of the consequences if international organizations gain the ability to tax. The tax-exempt bureaucrats who run these organizations will have an endless list of “unmet needs” and thus will create reasons to have never-ending tax increases. The [United Nations](#) is pushing a global financial transactions tax “to offset the costs of the enduring economic, financial, fuel, climate and food crises, and to protect basic human rights.”

The [World Health Organization](#), in the name of boosting expenditures for health research for diseases that “disproportionally affect the developing world,” has just proposed in a new report a “Financial Transactions Tax and a Solidarity Tobacco Contribution - that in addition to the airline taxes implemented in some other countries could be used to generate funds to be channeled through an international mechanism to supplement national resources” (global-bureaucrat-speak for taking your liberty and money and giving it to others).

James Hansen of NASA again recently proposed a “flat-rate global tax” on carbon to stop global warming. In 2009, then-House Speaker Nancy Pelosi expressed her support for a Group of 20 “global tax.” In March, Vice President Joseph R. Biden said, “We want to create a global minimum tax.” It goes on and on.

In sum, the global-tax advocates are demanding that the world’s most productive people and institutions give more money to global, nondemocratic institutions, which have been rife with mismanagement and corruption, so those within the global institutions can spend it as they see fit with virtually no accountability. The resulting misallocation of capital will make the world dirtier and poorer, with higher unemployment.

Tax money tends to be much better spent when the people can see how it is spent and who is spending it. This is accomplished more easily at local levels of government, where there can be more real representation and accountability, rather than at the national level and particularly at the international level, where there is no effective representation. The problems of poverty and environmental neglect most often occur where the people have no effective representation and accountability - i.e. authoritarian countries.

Switzerland is very prosperous, with little poverty, and has very high health, education and environmental standards. And individual liberty. Most taxation is done at the local and regional level, where there is a high degree of direct democracy, representation and accountability. Ask yourself whether the world would be better off if there were many more Switzerlands - or many more international, non-accountable bureaucracies to tax and spend your money.

Richard W. Rahn is a senior fellow at the Cato Institute and chairman of the Institute for Global Economic Growth.