

Forum: Working for the Machine — it's time we asked government to do less

By Antony Davies and James Harrigan

POSTED: 05/25/16, 12:37 PM EDT | UPDATED: ON 05/25/20160 COMMENTS

Suppose you had to pay all your annual taxes before you could pay for anything else. Starting on Jan. 1, you would sign over your first paycheck to the government, then the second, then the third.

You'd keep signing your paychecks over until all your taxes for the year — federal, state, and local — were paid. According to the non-partisan Tax Foundation, Connecticut taxpayers are the last people to finish paying their tax bills for the year. That happened on May 21, otherwise known as Tax Freedom Day.

If you live in Connecticut, that's nearly 40 percent of your annual income. For perspective, Americans will pay more in taxes this year than they will spend on food, clothing, and housing combined.

It may seem hard to believe now, but there was a time when the government didn't confiscate 40 percent of our labor — and that's precisely what taxes are — a confiscation of people's work. Some argue that taxes are merely the fair price we pay for doing the things we choose to do as a society, but that argument wears thin quickly for those who neither wanted nor voted for those things.

The argument wears thin ever faster as the scope of "things we do as a society" grows like a cancer. In 1792, 98 percent of spending in the economy was controlled by individuals deciding for themselves whether, when, and on what they would spend their money. Today, individuals control only 65 percent of total spending. Federal, state and local governments dictate the rest.

But we don't have to go back to 1792 to see the extent of the problem.

As late as the 1950s, the federal government collected about \$2,800 per person, adjusted for inflation, from all taxes combined. Today, the federal government collects \$10,000 per person.

Local and state governments have exhibited similar tax growth. Of course, as the population increases, we need more schools, more police, and more public services. But per-person and adjusted for inflation, government is collecting more than three times the taxes it collected just 60 years ago.

We recently upended a huge swath of our economy because we were concerned with the rising price of health care. According to the Bureau of Labor Statistics, the price of medical care has risen 2,800 percent since 1950. Over that same period, the per-person price of government has risen an overwhelming 3,500 percent.

We might have been better off asking physicians to reform government, than asking politicians to reform health care.

Of course, none of this would matter if we got three times the value from our governments that we once did. But do we? Are our schools three times better? Are our streets three times safer? Are our parks three times as pristine? In some cases, the answer is yes. But where it is yes, it is usually due to markets rather than government.

As people's incomes rise, they are less likely to engage in violent crime — and median household income, adjusted for inflation, is 40 percent higher today than in 1950.

Ultimately, we owe more to technological advances and entrepreneurship than we do the tax man for our safer streets. Of the things that make our lives better — smartphones, Netflix, Uber, FedEx, eBay — almost none comes from government. Of the things that make our lives burdensome — protective business regulations, failing schools, the DMV, the postal service — almost all come from government.

No one is claiming that government is unnecessary.

It protects us from those who would harm us and mediates our disputes. But beyond this (very) short list, government doesn't make our lives all that much better — it just makes them more expensive.

This is what we should ponder as we note that government allows us to keep less than two-thirds of our incomes this year. Given the evidence, it's time that we asked government to do less. If it did, the rest of us could do a whole lot more.

Antony Davies is associate professor of economics at Duquesne University in Pittsburgh. James R. Harrigan is director of academic programs at Strata in Logan, Utah.