

The Myth of Business Friendly Legislation

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Global Research, February 04, 2010

4 January 2010

Region: [USA](#)

Theme: [Law and Justice](#)

About a year ago, I posted a [piece](#) titled Killing the Goose that Laid the Golden Eggs. The gist of the piece is that although the farmer foolishly killed the golden goose, he nevertheless still had all the golden eggs she had laid before he killed her and was still much better off than he had been before the eggs were laid. I wrote, "Our governments have allowed [the business] community to decrease the wages of workers, eliminate relatively high-paying jobs by transferring them to foreign nations where wages are considerably lower, and create an ever growing income gap between workers and corporate officers. These corporate officers have become the mythical farmer, and their greed is killing the goose." But since that community has profited immensely, the goose's death may not matter.

This piece recently brought this response from a person identified only as Bill:

Interesting. Except private business is the golden egg and the farmer is the government. I am a business owner who creates jobs for dozens of people and the government is taxing me to death. Unlike what Jefferson supposedly said, my country is the USA.

I presume that Bill is a "small" businessman; he employs "dozens" not thousands of people. I sympathize with Bill's complaint about taxes; however, he puts the blame on the wrong party.

When one speaks about "business," what is claimed is expressed in an empirical generalization. If, for instance, someone says businesses corrupt governments, s/he is saying that businesses generally do it, and all empirical generalizations have exceptions. So the statement can be true even if some businesses do not instantiate it. Bill's comment appears to imply two things, although neither of which is stated explicitly.

The first is that businesses deserve some kind of venerable status merely because they create jobs. It is true, of course, that in a capitalist economy, businesses are a necessary condition for the creation of jobs. Without them, jobs don't exist. Businessmen seem to believe that this makes them special and deserving of special considerations. But the converse is equally true. Without labor, businesses don't exist. The availability of labor is a necessary condition for the creation of businesses. So logically, any special considerations for the one should apply equally to the other. When businesses, in an inflationary economy, claim that being required to raise wages will force them to raise prices, which in turn will reduce sales and profits and perhaps put them out of business and therefore eliminate jobs, labor can claim that not raising wages will require them to reduce their consumption which will reduce sales and profits and perhaps put their employers out of business and therefore eliminate jobs. The results of both actions are identical, so the claims are nugatory. Taxes work the same way. If businesses are taxed, profits are reduced and if consumers are taxed,

sales and profits are reduced.

But so-called business friendly legislation is not really business friendly. If the financial industry, for example, is allowed to offer consumers credit at usurious rates, the interest paid to banks reduces the purchasing power of consumers, so other businesses lose sales. Every dollar spent on interest is a dollar not spent on the purchase of a product. Worse, if a business accepts consumer credit, the issuing bank not only charges consumers interest, it charges the participating businesses transaction fees which reduce profits. So legislation “friendly” to one industry is decidedly unfriendly to the others.

The other is that businesses should be relieved of the burdens of taxation. But governments must be funded. If businesses don’t share in the burden of taxation, the burden falls on consumers, who then have less spendable income. However things get even worse, especially for small businesses, when large businesses can have favorable loopholes written into the tax code. Large businesses are more able to bear the burden of taxation by virtue of their size alone. When they are allowed to evade taxation, a heavier burden falls on both consumers and small businesses. So when Bill complains about taxation, his complaint should be directed not at government but at the businesses that can influence government to provide industry-friendly conditions that are delivered at the expense of everyone else.

Modern systems of taxation are absurd. These systems often make taxes avoidable and expensive to collect. The vendors who collect consumption taxes such as sales and value added taxes are paid to collect them which reduces the amount of taxation that the government nets. Batteries of attorneys are in the business of telling the wealthy how to avoid taxation, and income taxes are ultimately paid by employers who expend vast amounts making the required bookkeeping calculations. And when governments need money the most, as in economic downturns, these systems make it impossible to collect, because they are collected from those least able to pay. These systems of taxation are chiefly responsible for governmental budget deficits.

There really is only one logical source of taxes—those societal entities that have money, and the most efficient and productive method of taxation is an asset tax. “As Willie Sutton, the bank robber, said when asked why he robbed banks, ‘because that’s where the money is’.

Any good mathematician could devise a formula for collecting the amount needed by government from moneyed societal entities once rigorous methods were devised to prevent these entities from hiding assets. An asset tax is nothing more than a personal property tax of the kind in effect in many taxing jurisdictions. The rates could be adjusted frequently to ensure that governments get the income they need to balance their budgets, and it would be collectible even in economic downturns.

Legislators have demonstrated their inability to fix any pressing social problems over many decades. The reason is the *status quo*’s addiction to the notion that being friendly to the business community automatically enhances the welfare of all. Although all the empirical evidence invalidates this notion, it nevertheless still prevails. This notion needs to be abandoned, for as Amos Bronson Alcott wrote, “A government, for protecting business only, is but a carcass, and soon falls by its own corruption and decay.” There is nothing friendly about “business friendly” legislation. (2/1/2010)

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