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# The Washington Times

## Tax take making serfdom look good

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Paul Craig Roberts THE WASHINGTON TIMES

Is the United States a free country? Not by traditional measures. In the history of Western civilization, freedom has an economic meaning and a legal meaning. The U.S. fails both measures of freedom.

April 15 - Tax Day which confronted us this week - has come to symbolize America's lack of economic freedom. Americans have no more claim to their incomes than did medieval serfs. The most successful Americans are comparable to slaves.

The long struggle for freedom was a struggle to own oneself and the value of one's **labor**. European serfs did not own their **labor**. Consequently, they were not free to sell their **labor** in markets for **wages**.

In the feudal age, **labor**, like land, was not bought and sold, but allocated according to a system of use rights. The lord of the manor could claim as much as one-third of a serf's working time. The remainder of the time, serfs would produce for their own households.

When serfs became owners of their **labor**, which they sold for **wages**, they became free men unaccountable to lords. Free **labor** produced independent men, because men had nothing to fall back upon except their own strivings.

Free and independent men required accountable law. Law ceased to issue from the mouth of a lord or king. Law became the work of elected representatives and bound the government itself.

Freedom resulted from self-ownership and protection from arbitrary arrest, detention and dispossession.

A slave was worse off than a serf. A serf faced a maximum tax rate of 33 percent, but a slave was owned by another and had no claim to his own **labor** beyond subsistence. In the 19th century, this meant a tax rate of about 50 percent.

Low-income Americans face a Social Security and Medicare tax rate of 15.3 percent, a federal income tax rate of 15 percent, federal excise taxes, state income and sales taxes, and local property taxes. The combined tax rate exceeds the burden borne by a medieval serf.

Upper-income Americans are exploited like 19th century slaves. The uncapped Medicare tax places the top federal income tax rate at 41.5 percent. Adding in Social Security, excise, state income and sales taxes, and property taxes produces a tax burden in excess of 50 percent. President Bush's tax cut merely raises America's successful class from slavery to serfdom.

Unfair tax laws that tax phantom income push the burden on "the rich" to 75 percent or 80 percent of their incomes. Because of the way capital gains taxes are levied on investments, this April many investors will be taxed at twice the statutory maximum despite the collapse in the value of their investments.

To benefit from professional money management, millions of Americans invest in mutual funds and investment partnerships. According to proper accounting practice, the investor's basis is the price of the mutual fund shares when he purchased them. Capital gains would be computed on any increase in share value at the time the investor exits the fund by selling his mutual fund shares.

But this is not the way the tax system operates. A mutual fund share is a composite of the stocks of many companies that comprise the fund's diversified portfolio.

When the mutual fund manager sells shares of specific stocks that have risen, the gains are apportioned to the individual fund owners and taxed even though the owners retain their mutual fund shares and have realized no gains themselves.

This unfairness spells disaster for investors on April 15. At the beginning of 2000, stock prices were still up. Fund managers, anticipating the market's decline, sold to protect the gains. Despite these early gains, by the end of 2000 the market's fall caused lower mutual fund share prices.

Millions of investors have losses of tens or hundreds of thousands of dollars but are faced with taxes on tens or hundreds of thousands of phantom capital gains that were realized only on paper by fund managers.

Where does the money come from to pay these taxes? Few incomes are large enough to support such a burden. The taxes can only be paid by selling off assets. Investors are faced with a capital levy—a tax employed by tyrants.

Just as Americans own less of their **labor** than feudal serfs, law is no longer their shield but a weapon in the hands of government. Employers no longer even have the freedom to hire, fire, and promote. Employers must hire and promote by race, gender and disability. But they dare not fire.

Recently, a hospital fired an employee who could not get to work or get there on time because of grooming and dressing rituals that took hours and sometimes all day. A federal court ruled that the employee's grooming compulsion could be a disability, thus placing her under the protection of the Americans With Disabilities Act. She is entitled to her job even though she does not perform it.

Children have lost the right to draw pictures. A third grader was thrown out of school for drawing a picture of his father, a soldier. The school principal ruled that a soldier was a violent image and, if tolerated, would lead to a school shooting. It is not freedom to own less of your **labor** than serfs and slaves, to punish boys for being boys, and to be denied work for pay and the right to speak your mind on a college campus. The United States has become a tyranny, and it has happened on our watch.

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syndicated.

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