

Study on the Functions of Taxation from the Perspective of Property Rights and Societal Development

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Abstract: For centuries, the debate about whether taxation is theft is very common. This paper opposes the statement that taxation is theft, because it is very important to embody property rights and morally reasonable from the perspective of social development. In essence, this paper explores whether taxation is morally equivalent to theft or not. This paper will demonstrate through the following aspects: Taxation protects people's property rights; From the utilitarian point of view, taxation creates greater social benefits, so it is legal; Redistribution taxation promotes social equality, and from the perspective of libertarian philosophy, taxation is the necessary process of creating a completely just society. To sum up, taxation is not theft.

1. Introduction

“Taxation is nothing but organized theft,” proclaimed the economist, Murray Rothbard. The debate around taxation as a form of theft has been rife for centuries. Since the Enlightenment era, thinkers like Frédéric Bastiat have vocally opposed taxation, while others like David Hume viewed it as necessary. In this essay, I argue against the claim that taxation is theft as it is essential for enshrining property rights and morally justified for societal development.

It is important first to consider some key functions of taxation. They can be summarized into two categories, taxation for public goods and taxation for economic redistribution. The first category refers to taxes that are collected to fund the provision of public goods, which are defined to be non-excludable and non-rivalrous such as law enforcement, national defense and basic infrastructure. On the other hand, taxation for economic redistribution, usually progressive in nature, specifically focuses on taxing the rich and their different forms of income to fund social programs for the less affluent.

Examples of these include public schools, hospitals, and welfare. The discussion of these two types of taxation differs significantly, and therefore this essay will separate their analysis.

In order to meaningfully discuss this question, definitions and framings are needed. While theft is traditionally conceived as the act of taking others' properties without consent or legal permission, this definition needs to be expanded for the sake of this discussion. Firstly, other forms of taking possession should be included such as coercion because in essence they are the same. For example, if someone doesn't pay their tax, they will face punishment, which is a form of coercion. Secondly, the discussion in this essay not only addresses the question of whether taxation is theft itself, but also the fundamental morality of taxation. In essence, the real question to be answered is: is taxation morally on par with theft?

2. Demonstration and Discussion

2.1. What are Property Rights?

To discuss this problem, it is important to understand the meaning behind property rights. If we assume that property rights are not intrinsic to human nature, as argued by Liam Murphy and Thomas Nagel,[1] they need to be safeguarded by a set of laws or conventions. Taxation is essential to ensuring this protection. Through tax revenues, the government is able to establish legal frameworks

that ensure each individual's property rights. An analogy could be made to the criminal justice system.

Part of the goal of the criminal justice system is to ensure people's rights to life and freedom. Despite this goal, criminals are held in jails and prevented from committing harmful actions in order to guarantee the broader population's safety and freedoms. Intuitively, it would be unreasonable to argue that imprisonment or any other form of punishment or even rehabilitation violates the right to freedom because it is a part of the very system that ensures that the general public can enjoy freedom.

In the same way, taxation protects people's properties. In a world where taxation and other forms of protection of properties doesn't exist, it would be meaningless to have discussions around property rights. Therefore, taxation is necessary for the concept of property to be meaningful and it is invalid to argue that it violates property rights.

Moreover, individuals' liberties are destined to come into conflict with each other. A criminal's right to freedom conflicts with the freedom and safety of a community, and the property rights of individuals conflicts with taxation, and by extension, the right to property of the public. Compromises have to be made within a society in order to establish a pragmatic system of governance. Similar to the criminal justice system, taxation can be justified using the theory of the social contract outlined by John Locke; people consent to a set of rules, including taxation, that governors create in order to facilitate this conflict.[2] Therefore, the tax system, although seemingly violating the property rights of some, is justified and should not be considered theft.

Alternatively, if we were to argue that property rights are inherent, the notion that taxation is theft still doesn't hold. In order for an action to be theft, it must take away things that are owned by other individuals. Many people argue that the government takes away a part of their "pre-tax income" by imposing taxes. However, upon scrutiny, the concept of a "pre-tax income" becomes questionable—people never truly own this money. In no world would it actually go into the hands of individuals. It is merely an idea of how much a completely free capitalist market without any government intervention is willing to pay for individuals' labour, which in reality could never happen, because any sort of market needs regulations and thus tax revenue in order to exist.[1] Therefore, if tax only "takes away" things people never own, it is not theft.

2.2. Taxation for Public Goods

The use of taxation for public goods introduces new questions, but I maintain that it is legitimate from a utilitarian perspective.

The idea of taxation as theft is an extension of the tension between utilitarianism and deontology. Utilitarianism judges the morality of an action based on whether it maximises "utility," or goods and happiness in a society, according to the Greatest Happiness Principle proposed by John Stuart Mill.[3] A deontological perspective on morality suggests that it depends on a clear set of objective rules. A deontologist would argue that even if the society would be worse off without tax, the legitimacy of tax still depends on whether it infringes on people's right to property and freedom, while a proponent of utilitarianism would argue that the morality of taxation purely relies on whether it creates greater utility.

Taxation allows for greater feasibility of the general wills of a society and creates utility. Public goods, if not provided by the government, will be produced by private firms. However, if managed by these companies who are seeking a return on investment, the construction and maintenance of essential public infrastructure would not be feasible because it is typically not profitable. By definition, public goods are non-excludable, meaning that it would be difficult to prevent anyone who didn't pay from consuming the goods or using the infrastructure. For example, street light companies simply cannot charge people from using their street lights. As a result, there is little incentive for private investment in public goods. If companies cannot collect revenue from their consumers, the entire price rationing mechanism of a capitalist society would fail. Firms would not have incentives to produce anymore because there is no secure way to ensure their profit if they keep producing. As a result, these businesses would cease to operate, losing a large amount of utility because they are essential to basic economic activities.

Moreover, beyond the utilitarian perspective, this use of tax revenue is legitimate regardless. Due

to the non-excludable nature of public goods, all taxpayers should enjoy the benefits, meaning that there is no real loss for any consumers as they exchanged their money with the utility from the public goods. Therefore, this use of taxation should never be considered as theft as it ensures a public good.

2.3. Taxation for Economic Redistribution

The use of taxation for economic redistribution is a more controversial issue. Again, I will begin this section following a utilitarian perspective.

From a utilitarian standpoint, taxation for economic redistribution is plausible. It promotes equality, and greater equality usually leads to greater utility. The fact that taxation makes society more equal is quite self-evident; the less affluent can access services like education and healthcare for free from public facilities and receive transfer payments from the government. The reason why there is more utility in a more equal society is based on the law of diminishing marginal utility. First proposed by Jeremy Bentham, this law states that for each additional unit of gain from economic activities, the utility it provides decreases.[4] From this law, it can be deduced that the same amount of money provides less utility to a rich person than to a poor person. Therefore, if the additional taxes a rich person pays get distributed to multiple poor persons, not only is total utility created greater due the difference in economic status, but also the utility is spread onto more people.[5]

In order to prove redistributive taxation is not theft from a deontological perspective, we must examine one of the most prominent arguments for taxation is theft, the idea of coercion. To quote Robert Nozick: “taxation of earnings is on a par with forced labor.” [6] This is the libertarian view on taxation, but it is flawed. This argument stipulates that forcing the wealthy to pay tax to help the economically disadvantaged is morally equivalent to being forced to work for them because the tax money is earned from the labour of the wealthier population.

This introduces the famous thought experiment proposed by Judith Jarvis Thomson that was instrumentalized to argue taxation as theft.[7] Since the thought experiment was originally designed to defend abortion, I am providing a slightly revised version: “imagine you wake up one day and find yourself kidnapped and lying beside an unconscious world-famous violinist. The violinist was found to have a fatal kidney illness, and needs his circulatory systems plugged into that of a healthy person. You are found to be the only one with the matching blood type, so the Society of Music Lovers kidnapped you and plugged you in.” [6] Libertarians such as Adam Moore argue that it is morally justified to unplug yourself from the violinist because you don’t have a moral obligation to them, even if that means they will die. By extension, they argue that the wealthy don’t have a moral obligation to the poor, and therefore it is wrong to force them to pay tax.[6]

This chain of analysis implies the principle of libertarian philosophy — the non-aggression principle. It states that aggression is only justified when an individual or their property are threatened.[8] More specifically, libertarians draw the distinctions between threatening others and failing to help. They argue that committing crimes is actively harming others and therefore justifies aggression, while failing to help the violinist or the poor is not.

However, if we are to accept this principle, some inconsistencies will emerge. As Timothy Hinton argues, there are some other beliefs that libertarians hold which are also intuitively true but contradicts their argument.[9] Most notably, Robert Nozick argues that any distribution of holdings is just and only just if it comes from a series of just acquisitions of properties.[10] He also argues that the rectification of past injustice is a legitimate way of acquiring properties. If that is the case, the principle of non-aggression must be revised: in a situation where past injustice caused inequality, aggression to rectify the past injustice should also be justified.[9] This means that not only is aggression acceptable in at least some cases where people become disadvantaged due to past slavery or other discriminatory acts, and some form of redistribution is needed to ensure a just society. Taxation is so far the best and most feasible way of this redistribution, and therefore it is proven that not only is tax not theft or forced labour, it is an essential process to achieve what libertarians believe is the closest to a perfectly just society.

Another flaw with libertarians’ argument is that they made it from the position of freedom. Ultimately, taxation is unjust because it violates freedom. However, if freedom is indeed the most

valuable, it is the exact opposite. Without redistributive taxes, the majority of the poorer population will lack access to living basics such as healthcare and education in order to have the freedom to live meaningful lives. Taxation maximizes freedom by helping the most disadvantaged, so even from a libertarian perspective, it is not theft.

3. The Necessity of Taxation

3.1. A Backup of Infrastructure and Economic Advancements

Taxation is a means by which the country, in order to satisfy what a society needs, bring a better distribution of national income by virtue of its public power and in accordance with the criteria and procedures laid down by law, and obtains fiscal revenues compulsorily and without compensation.

The more sufficient the tax revenue that countries obtain, the healthier and stronger the society development will be. What a society requires is a peaceful environment for development, and its twin-abundant financial resources. The maintenance of public facilities and the provision of public services are all dependent on money. Without money, we can't get by not only on our own, but also for the country! However, in any era, the role of taxes for the country has always been a crucial existence.

There is no doubt that national tax revenues come mainly from socio-economic development. A society that does not have a highly developed economy cannot get the desired tax revenue by itself. Enterprises, which lack of the ability to continue their production, naturally will be wanting in money to pay taxes. Enterprises are only capable of contributing tax revenue to the country after they have continued to develop themselves. It can be said that the stronger the ability of enterprises to make money, the more the country can get a constant flow of tax revenue. Taxes can also be counterproductive to social and economic development. Economic development requires a sound market. After all, in a sound economic market, enterprises can compete fairly. The soundness of the economic system, mainly rely on the tax to realize.

Countries, with the endeavors to perfect the tax system, will be capable of continuously making a society grow to be more booming. Along the road where the market gets to develop sustainably, the market economy will of course turn out to be better. The better the social economy develops, the lower the cost of state taxation will be. Meanwhile, the absolute amount of tax revenue will also wind up rising. That will help the tax and economic development form a positive relationship.

3.2. The Ensurance of People's Livelihood

Taxation seems to be unconcerned with individual's life. However, that's not the case since taxes are all the time around us, and our lives are closely related. In life, large to buy a house and car, people are required to pay property tax and vehicle purchase tax; small to buy daily necessities, it's also necessary for us to pay consumption tax, but not directly pay, but included in the price of goods purchased.

It would not be easier to hook flat and spacious roads, tree-lined streets, bright street lights, smooth water, electricity, gas, communication networks, radio and television, medical treatment for disasters, as well as education, national security, up to tax. However, all of this is really overflowing with tax "taken from the people, used in the people" of the true meaning, revealing that we are all enjoying the tax returns.

As the saying goes, Food for the people is the sky, and the country is based on tax. Tax is a strong support for the country's wealth and strength, social stability, people live and work in peace and happiness.

4. Conclusion

Therefore, it is proven that taxation is not theft from the perspective of property rights and societal development. Indeed, it is morally acceptable based on four basic principles: taxation doesn't take away what we own and it protects our property rights; taxation allows for greater feasibility of the general wills of a society and creates biggest utility; taxation promotes social equality, and serves as the necessary process of creating a completely just society; taxation doesn't involve stealing or other

forms of coercions.

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