

# THE NEW WAR OF THE 21<sup>ST</sup> CENTURY:

## HOW BIG GOVERNMENT & TAX TERRORISM WILL DESTROY NATIONS

By

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A wise and frugal Government, which shall restrain men from injuring one another, but shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned... this is the sum of good government...*Thomas Jefferson*

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The power a government derives comes from its ability to collect revenues by taxing those who work and create wealth, and then using those revenues to support its instruments of power..the military, the police, the judiciary, and the multiple other authorities that have the power to control and disrupt citizen life. It is by controlling the disbursement and use of revenues that politicians exercise control over power agents.

The collection and subsequent dispensation of revenue to agents of power was at the heart of the Feudal system. Yet, despite centuries of democracy and ‘people power’ nothing much has changed. Like the medieval Feudal lords, the new political lords focus on enriching themselves and their ilk by acquiring the power of statehood. The modern day serfs who pay the taxes on which the state runs are the entrepreneurs and capitalists who create jobs, and the aspirational middle class that work hard to support their families and desire a better quality of life. These people are the risk takers who pour sweat and blood to create wealth. They demand nothing but the freedom to regulate their own pursuit of industry and improvement. And they have been silent witnesses to their hard earned labor been stolen and wasted by the new political lords.

**This battle between the modern day serfs, the taxpayers, who want to protect the fruit of their labor and the modern day political lords who need this fruit to preserve their power, is the new battle of the 21<sup>st</sup> century. And this battle is likely to change the world in the next two decades.**

The cost of preserving power has increased over time and as a result the cost of running government has become prohibitive in most countries. With the increasing need for revenue, collection of revenue has now become the the *raison d’etre* of statehood. In their zeal to collect additional revenue, the political lords have complicated tax compliance by adding layer upon layer of ambiguous and often conflicting laws. So convoluted are the laws that even the most honest tax payer is likely to get snared for “ undeclared income”. And so great is this urgency to collect “ undeclared income” that there is now unprecedented cooperation among governments across the world on sharing financial information to find the “crooks” who use those ‘dastardly’ offshore entities to shield a little more of their hard earned money.

This modern day tax terrorism is no different than that of the medieval times--it takes money from those who are productive to support systems that are grossly unproductive. But modern day taxation has a 'moral' twist designed to give it an air of acceptability. Revenue collection by the political lords is now disguised under the garb of inequality and income redistribution. Statistics are thrown around to show that the rich have gotten richer and the poor poorer. And, like Robin Hood, the political lords justify increased tax collection from the rich to help the poor. This has spawned a new class of poor--perfectly able bodied people who are becoming conditioned to live on government handouts, reservations, subsidies, quotas, free this and free that. All this free stuff of course costs money which the political lords provide for with new taxes or by printing new money and debasing the wealth of the serfs. The 'freeloaders' now make up an increasing percentage of the voting population and the political lords need to keep them satisfied to hold on to the levers of power.

As this political base grows so does the cost of maintaining it. It is not a coincidence that the size of government and the proportion spent on welfare subsidies have both increased dramatically over the last three decades in most democratic countries. And it is also not a coincidence that this increase has coincided with the increased rhetoric on inequality. Europe is now essentially socialist with average government spending as a percentage of GDP having doubled in the last 20 years. Welfare spending in France, for example, has quadrupled in less than 2 decades. Greece, Spain, Italy are basically bankrupt states crumbling under the weight of excessive government spending on welfare programs. Brazil's economy, a beacon of hope a decade ago, is now under severe pressure as welfare spending has doubled in the last seven years. In the US government debt as a percentage of GDP has doubled in the last decade with much of this increase the result of ballooning welfare spending. And in all these countries there is growing rhetoric about inequality but very little real understanding of its causes. The convenient fall guys are the serfs because they have the wealth and also because they can easily be shaken down on moral grounds of perpetuating "inequality".

But governments can't give to one what they first don't collect from another. And like the proverbial Ponzi scheme, government must find new sources of revenue to support their constituency, the freeloaders. It is also not a coincidence that as government size and welfare subsidies have increased so has the need to go after "undeclared wealth". The urgency with which the political lords need additional revenue is evident from the speed with which governments across the world have come together to cooperate on sharing financial information on taxpayer serfs. After all who would object to going after those "crooked" serfs with undeclared wealth. As a result hundreds of hard working serfs will be indicted and sent to jail because they refuse to let the State steal from their mouth the bread they had

earned. But these are the people who take risks, invest capital , employ people, and create the wealth that the political lords and the freeloaders now steal.

And here is the irony.

**In the 21<sup>st</sup> century it is a crime for a serf to protect some of his hard earned money for the use of his own family. But but it is not a crime for the corrupt political lords to steal this money or to waste it by giving to those who choose not to work.**

Why is it that global cooperation among governments is limited to unearthing income. Why is there no cooperation and exchange of information on the wealth stolen by the political lords, or cooperation on ideas to remove poverty, or on doing away with the massive welfare schemes that take productive capital away from those who can use it to create wealth. The irony of all this is that the real crooks, the people who steal and waste taxpayer money, are the ones writing the laws that make honestly earned money “ undeclared wealth”. In the modern feudal system not declaring your wealth to the political lords is a crime but stealing someones hard earned money is not.

**And this is the new war of the 21<sup>st</sup> century. A war between those who create wealth through hard work, risk taking, and enterprise, and those who abuse power to prey on this wealth.**

When some people get the idea that they do not have to work because others will take care of them, and when the others realise that it does no good to work because somebody else is going to get what they work for, that is the beginning of the end of any nation. A test of this notion was conducted by an Economics professor. He told everyone in class that he would average out the grades to make sure there was no inequality. After the first test all grades were averaged and everyone got a B. The students who studied hard were upset and the students who studied little were happy. As the second test rolled around the students who had studied little studied even less, and those who studied hard decided they wanted a free ride too so they too studied little. The second test average was a D. No one was happy. As the 3<sup>rd</sup> test rolled around the average was an F.

It is no wonder then that as governments grow bigger and welfare subsidies balloon, global growth rates have dropped by more than 40%. Empirical analysis of data from 23 OECD countries shows a strong negative relationship between the size of government and GDP growth. As governments get bigger, and the subsidies required to maintain their vote banks get larger, GDP growth rates, like the class grades, have started moving down. The good students, the serfs, work less because the reward for their effort is either stolen by the political lords , or given to those who live on subsidies and choose not to work.

Inequality is not increasing because the serfs are working harder and creating wealth as is incorrectly proclaimed by left leaning economists like Thomas Piketty. Increase in inequality has come about as a result of a massive increase in the number of freeloaders who have been propagated by the political lords to provide a voting block that can be counted on to keep them in power.

A leading Indian politician once proudly proclaimed that his party's political base was the "poor of India". Little wonder then that his party that "ruled" India for over sixty years did nothing to alleviate poverty. Why would they. Why would they do anything to debase their political base. The greater the number of poor the larger their political base. And as additional people join the ranks of the freeloaders the larger their base gets.

**Declining growth rates and growing inequality are directly related, and the underlying cause for both is bigger government, increasing political corruption, and an ever increasing need to develop and maintain an uneducated class of freeloaders as the voting majority.**

Politics is the gentle art of getting votes from the poor and money from the rich, by promising to protect each from the other. Taxes on serfs have always been justified on the pretext of providing a safe environment that allows them to grow their wealth. And serfs don't mind paying a fair share of their sweat in taxes, as long as it is used properly to create an environment to expand wealth creating opportunities and increase standards of living . But what modern day serfs are less and less likely to do is tolerate their hard earned money being stolen by the corrupt political lords or wasted on freeloaders for whom government dole has become a way of life.

With political corruption getting worse in most countries and with welfare subsidies now more than half of most government budgets the serfs are finally paying attention. Those who pay from their sweat to support those who do no work are realizing that while their numbers might be small they do have power. Crushed between increasing levels of both fanatical Islamic and tax terrorism, the serfs are slowly starting to carve out their own space where they would be safe, free to work hard and to keep a larger share of their sweat, where there are no free loaders, and where everyone works hard to get an A. In countries like Greece, which have essentially become welfare states with very little wealth producing activity, most of the wealth producing serfs have left the country. When France increased top income tax rates two years ago many top business houses left to move to another country. Four thousand millionaires from India left the country in 2015, evidence of the intensifying war between taxpaying serfs on one side and the political lords and freeloaders on the other.

This war is likely to gather momentum in the coming years as increased numbers of taxpaying serfs get hounded by large and powerful governments cooperating to unearth revenues they so desperately need to support themselves and their vote bank of freeloaders. Tax laws will become more complex and obtrusive, snaring increasing number of serfs in legal nets. Last year the IRS in the US, for example, admitted to targeting conservative and wealthy people for additional tax collection. The Finance Minister of India last year urged his tax collectors to get more “aggressive” since tax collections were below target for the year. These are signs of desperate governments that have grown too big and promised too much to too many people. Unfortunately for them, the hen that lays the golden egg is about to flee.

The serfs have the capital, the brainpower, the enterprise and it is only a matter of time before they break free. When that happens Ponzi schemes across the world would crash, chaos and anarchy will replace law and order, and many countries as we know them now will cease to exist. As revenues dry up large numbers of freeloaders will not receive subsidies and all hell will likely break loose.

**Who then is the criminal : a hard working man who chooses to protect some of his hard earned money for the benefit of his family, or the corrupt politician who steals taxpayer money and misuses it to promote himself to stay in power?**

India is a good test case for this looming disaster. With its small tax base, large numbers of corrupt political lords, and increasing numbers of freeloaders, India finds itself at a critical juncture. The taxpaying serfs make up less than 3% of India’s population. The other 97% of the population pays no income tax. In other words the blood, sweat, and tears of 3% pays for the benefits enjoyed by the other 97%. Clearly this is unsustainable in a country where 50% of jobs are given not on ability but on quotas designed to favor the freeloader; a country where scams that drain the public exchequer are an everyday occurrence; and a country where subsidies of all kinds for the freeloaders are the norm. A study by a reputed think tank estimated that about 22% of taxpayer money is stolen by the political lords, and another 36% is wasted on schemes designed with the specific purpose of keeping the poor imprisoned in poverty and thereby dependent on the largess of their political lords. Very soon the 3% that pay taxes will realize that 55% of their hard earned money is being stolen or wasted and they will stop working or move to another country.

**Tax them too much and attack them for being wealthy and they might soon disappear and when they do the party is over. The Ponzi scheme collapses and its time to pay the piper.**

The next two decades will witness unprecedented human movement as hard working taxpaying serfs look to move out of countries which exploit them. New

countries which encourage and protect wealth producing activities will arise as capital and enterprise shift there. Ideally placed to take advantage of this migration are countries like Costa Rica, Singapore, Argentina, Luxembourg, Switzerland, Thailand, Mauritius, Iceland, Bahamas, and even large countries like the US, Australia, and even Canada. Countries where the size of government is increasing, where welfare subsidies are choking the system, and where inequality is being deliberately propagated will collapse into lawless failed states.