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Voluntary Taxation and the Future of Democracy

Luis Razo
European Institute of Science in Management
l.razo@eism.eu

Abstract

This paper presents original research and theory that challenges the assumption that, with the advent of universal suffrage, democracy has reached an evolutionary limit. To explore one possible avenue for the future development of democracy, this paper studies a potential link between taxation and individual democratic power. The paper reviews the two most significant principles of just taxation - the "ability to pay" principle and the "benefit" principle - and introduces a third principle, the "voluntary principle" of taxation. This "three-fold" theory of taxation purports to resolve the ideological inconsistencies that exist within and between the two traditional principles of taxation and, at the same time, reconcile the historical tension between labor and capital through a new, more highly evolved model of democracy. The paper concludes with a call for additional research about the role of taxation in the future of democracy.

Key words: Taxation, democracy, political philosophy, political economy, social choice

Introduction

One of the most widely accepted assumptions about Western liberal democracy, in both popular and academic circles, is the idea that with the advent of universal suffrage democracy has essentially finished evolving (Fukuyama, 1992). This assumption is prevalent in part because of the historical development of democracy, which has evolved from a past when only a certain privileged group of free men were allowed to participate in the voting process, to a point today where every citizen has the right to one vote. Democracy cannot evolve any further, it is assumed, because of the relative success of the Western liberal democratic tradition and because of the mathematical equation that is its most essential underpinning: one person equals one vote.

This paper will argue that the assumption sketched above – the idea that Western liberal democracy has essentially finished evolving – is not only false but also detrimental to human progress. To assume that we have reached the end of political evolution is plainly illogical. Indeed, it strains the inquisitive mind to believe that humans have evolved for millions of years *only* to arrive at our prevailing models of democracy - with their multitude of theoretical, structural and moral problems. Not only does the intellect reject such a notion, human aspiration does, too.

Building on this intellectual and moral reluctance to accept that we have reached the end of democratic evolution, and working for a "global rethinking of the whole system, as a quest for ways to reform it and correct it in a way that is consistent with the fundamental rights of all human beings" (Francis, 2013), this paper explores the potential role of taxation in the future development of democracy.

Taxation and the Future of Democracy

This paper parts from the premise that political philosophy in general and democracy in particular will necessarily evolve beyond the current models that prevail in the developed world. The only question open to debate is the direction or manner in which democracy will evolve - a question that is of pressing scholarly concern and public importance (Alonso, Keane & Merkel, 2011). The direction to be explored in this paper is the role that public economics – specifically, taxation - can play in the future of democracy.

In Section I of this this paper I will review the two most salient historical principles of tax justice - the ability to pay principle and the benefit principle - and introduce a third principle of taxation: the voluntary principle. The voluntary principle of taxation forms the central theoretical construct of this paper. In Section II, I will review three basic premises that underlie the voluntary tax principle; In Section III, I will describe several of the immediate advantages of incorporating the voluntary tax principle into democratic models; In Section IV, I will respond to several of the most common objections to the voluntary tax principle. I will conclude with some parting thoughts and a call for debate and additional research.

Section I: Traditional Principles of Taxation and the "Voluntary Principle"

Economists have traditionally put forward two primary principles of taxation to guide governments in determining how an effective and equitable system of taxation can be levied on individuals: the "ability-to-pay principle" (Perdices & López, 2011, p. 103) and the "benefit" principle (Musgrave & Peacock., 1994). I will briefly review these two principles before introducing what is proposed as a third principle of taxation: the voluntary principle.

(i) The Ability-to-Pay Principle of Taxation:

The most widely used criterion for tax fairness is known as the ability to pay principle. Ability to pay as a determinant of one's tax burden simply implies that those who have more resources than others can and should make a larger contribution toward the cost of government and public services. The three primary ways to measure ability to pay are as follows:

(a) Tax on the Basis of Income: many economists believe that income can and should be the primary basis of measuring a person's ability to pay taxes. According to this line of reasoning, if the income of one person is greater than that of another, the former should be asked to pay more towards the support of the government than the latter. This is perhaps the central reason why most modern tax systems incorporate income as the primary way to measure an individual's ability to pay taxes.

(b) Ownership of Property: some economists propose ownership of property as an effective and just way to measure one's ability to pay taxes. Here, the line of reasoning is that the more property an individual owns, the more resources and ability the individual has to pay taxes. Many reject this idea on the grounds that if an individual earns a large income but does not spend that income on the purchase of property, she will essentially circumvent a just rate of taxation. Similarly, if an individual who earns only a modest income but invests in a home for her family, she will have to contribute an unjust rate of taxation.

(c) Tax on the Basis of Expenditure: It is asserted by other economists that the ability to pay tax can and should be judged by an individual's expenditure. The line of reasoning here says that the greater the expenditure of an individual, the more ability that individual has to pay taxes and, thus, the higher should be his tax rate. Detractors argue that there are cases when this is unjust. A person who has a large family to support must spend more than a person with no family at all. If expenditure is used as the measure of one's ability to pay, the person with many dependents will have to pay more taxes than a person with a small family. According to some theorists, this is not the kind of tax structure that is good for society because it discourages the formation of families.

These three measures of an individual's ability to pay taxes - the income tax, property tax and some form of sales or consumption tax - are the primary measures used to generate and justify tax revenue in most Western countries.

Historically, when direct information to measure one's ability to pay taxes has not been easy to attain, indirect indications of wealth have been used. Lacking market values for real property that was rarely sold, seventeenth-century tax collectors in several European countries, beginning with England, estimated the value of property on the basis of the number of windows in a home (Adams, 2001). Even today, in a much more monetized economy with high turnover of real property, assessing real estate for tax purposes is the most challenging of all tax measurements to undertake. The most important dynamic to highlight here is the tension that has always existed between the tax authority and an individual's willingness to be transparent about her ability to pay taxes.

One important critique of the ability to pay principle claims that taxing certain individuals at a higher rate, simply because they have more ability to pay, ignores fundamental questions of justice. According to this line of reasoning, there are two primary risks associated with the ability to pay principle. First, taxing higher incomes at higher rates discourages the most ambitious and hard-working individuals from working harder and being creative, which in turn has a detrimental effect on the economy and on the government's ability to collect taxes. Here, a basic question arises: Why should a high wage earner work harder if a significant percentage of his earnings is going to be taxed away for redistribution to others who are less willing to work hard? Similarly, if high wage earners are bearing the brunt of the government's tax burden, this will inevitably encourage some lower wage earners to work less and expect more from government, since they are aware that higher wage earners are expected to pay a larger portion of the government's tax bills. The danger, according to this line of reasoning, is for large numbers of people to become dependent on the wealth redistribution mechanism of the state, thus dampening not only their own productivity but also the productivity of the entrepreneurial class.

(ii) The Benefit Principle of Taxation:

The second most common criterion for tax fairness is known as the benefit principle of taxation. According to the benefit principle of taxation, the state should levy taxes on individuals according to the benefits they receive from any particular government service. The more benefits a person derives from the activities of the state, the more she should pay in taxes. Under the benefit principle, taxes are seen as serving a function similar to that of prices in market transactions; that is, they help determine what activities the government will undertake and who will pay for them. If the tax burden of a society was strictly governed by the benefit principle, the allocation of resources through the public sector would respond directly to consumer wishes (Lamberton, De Neve & Norton, 2013; and Benedict, 2009).

Outlines of the benefit principle were put forth independently and in a piecemeal fashion by several thinkers from the seventeenth and eighteenth centuries who disputed the classical conception of the natural origin of the state, preferring a social contract framework. Among these, Thomas Hobbes, Giovanni Botero, John Locke, and Jean Baptiste Say are noteworthy. *"To equall justice apertaineth also the equall imposition of taxes*." (Hobbes & McPerhson, 1988). The benefit principle was most explicitly developed by Knut Wicksell and Erik Lindahl, and later extended in the work of Paul Samuelson, Richard Musgrave and others (Musgrave, 1959).

For his part, Adam Smith argued that a proportional income tax is, in fact, a sort of benefit tax, because the tax payment would be "proportional to the revenue enjoyed under the protection of the state." (Smith, 1902). According to this argument, the state's social, legal and economic framework makes it possible to earn and keep one's income, and the value of those services can be assumed to be proportional to that income.

In practice, the benefit principle is invoked primarily for taxes when there is a clear and measurable connection between a taxed item and its use by individual taxpayers. The most widely-cited example of a benefit tax is the tax on gasoline. Taxes on gasoline are used to construct and maintain highways. Those who purchase more gasoline, according to the benefit principle, either drive more miles or drive heavier, less fuel-efficient cars. In this manner, those who do not use the government's roads very much are not forced to subsidize those who frequently use the roads, and those who drive smaller, more fuel-efficient cars do not have to subsidize those who drive large, less efficient vehicles. In other words, those who benefit the most from the existence of roads, pay the most taxes.

The benefit principle suffers from a number of logistical and philosophical shortcomings. First of all, there are relatively few taxes that lend themselves conveniently to the benefit principle. Secondly, according to one perspective, if the benefit principle was rigorously applied, poor individuals would have to pay the highest *proportional* taxes because they are often the group that benefits most (proportionally) from social and government services. The problem is that such a proposition is circular. One cannot logically expect to collect higher taxes from individuals who are unable to pay the taxes in the first place. In this case, the benefit principle comes into direct conflict with the ability to pay principle. A third important shortcoming is the impossibility of sorting out exactly how much any one individual benefits from a government product or service, known as the so-called "free rider" problem wherein an individual benefits from a government product or service without having to pay for it.

Perhaps the most important shortcoming of the benefit principle of taxation, however, is the fact that it is alternately invoked to justify both progressive and conservative tax policy (Blankart, 1998). In other words, in taxation there seems to be an underlying ideological conflict that is not adequately addressed by the benefit principle.

(iii) The Voluntary Principle of Taxation:

As the reader will have perceived, there is a certain amount complementarity *as well as* a certain amount of tension between the ability to pay principle and the benefit principle of taxation. The tension can be said to mirror the larger ideological tension that has historically existed between opposite extremes of the political spectrum. In fact, an argument can be made that the ideological tension within and between the ability to pay principle and the benefit principle is the same tension that has been at the heart of social interaction from the beginning of recorded history, i.e., the tension between individualism ("me") and collectivism ("we"). At the dawn of Western civilization, Plato invoked this tension in the following manner: "When there is an income tax, the just man will pay more and the unjust less on the same amount of income." (Plato, 1968, p.343-D).

Thus, we see that the central questions underlying tax justice are inextricably linked to the questions that underlie social and political justice, and they have not changed for millennia:

- What is justice?
- What is the proper role of government?
- What is the proper size of government?
- Who is going to finance its activities?

There is, in these questions, a vital and necessary link between the justice to be found in taxation and the justice to be found in politics (Blankart, 1998). We cannot find justice in taxation, it seems, without also simultaneously finding it in politics.

Against the background outlined above, the voluntary principle of taxation is proposed as a way to reconcile the historical and philosophical tension that exists within and between the ability to pay principle and the benefit principle. This endeavor involves a shift away from the focus on the logistics of tax theory – that is, from the "how", "what", "when", and "which" of tax theory - to a more important and fundamental question: the *who* of tax theory. For this reason, the rest of this section will focus on the more vital question of *who* should decide on important questions of tax policy, rather than focusing on questions that belong to a lower order. The idea here is that if we can get the "*who should decide?"* of tax policy correct, it stands to reason that the "what", "when", "where" and "how" will fall more naturally and more justly into place.

In the tradition of the subjective theory of value espoused first by the Scholastics and the School of Salamanca and more recently by the Austrian School of economics (Schumpeter, 1954 and Rothbard, 1976), the voluntary principle of taxation simply states that an individual has a natural right to contribute a voluntary percentage of her income and wealth above and beyond compulsory tax rates. The beguiling simplicity of this definition contains a profound truth: the decision to pay voluntary taxes (or not) is based on the subjective value that an individual member of society places on the common good.

It's important to understand that the voluntary tax principle is perfectly compatible with any existing tax structure – whether that tax structure is based on the ability to pay or on the benefit principle, or on a combination of both. By formally recognizing the voluntary tax principle, governments can count on compulsory levels of tax revenue *plus* additional *voluntary* revenue.

According to the theoretical framework proposed in this paper, there are two distinct and complementary orders of tax justice: the compulsory order (founded on social contract theory and on the traditional principles of taxation) and the voluntary order (founded on natural law and on the non-aggression principle). As the name itself implies, the voluntary order of taxation involves no coercion of any kind.

The first and most obvious question to ask when we are confronted with the voluntary principle of taxation is: why would anybody pay voluntary taxes? This is an important and logical question. Historically, the inability to conceive of a mechanism by which governments could finance their own activity through voluntary taxes has been the undoing of the concept (Rothbard, 2004). The key to understanding the power of the voluntary tax principle as presented in this paper lies in the all-important incentive contained within the principle itself. To encourage the contribution of taxes above and beyond compulsory rates, the voluntary tax principle gives voluntary taxpayers additional votes in the democratic process. In a voluntary tax democracy, an individual who pays only compulsory taxes would be allotted the standard single vote. In contrast, an individual who pays compulsory taxes *plus* an additional amount in voluntary taxes is given additional votes in the democratic process. Voluntary tax democracies would thus be comprised of individuals with varying degrees of political power: some with only 1 vote, some with 2 votes, some with 10 votes, etc. The individuals with most voting power would be those who have paid the highest proportional voluntary taxes for the longest periods of time. To maintain vertical and horizontal equity and to neutralize the potential power of wealth, the number of additional votes would depend on an individual's proportional (not absolute) voluntary lifetime tax contributions.

The voluntary tax principle accomplishes at least two important things. First, it harnesses the power of competitive, market-like forces to powerfully steer the democratic process toward the common good. Second, it strengthens the entire tax edifice as an *adjunct* to the ability to pay principle (more people who are able to pay taxes, would voluntarily pay higher tax rates) and as a philosophical *inversion* of the benefit principle (people who *do not* benefit from government services, would voluntarily help to finance those services in a competitive framework).

The voluntary tax formula can and should incorporate a wide array of micro and macroeconomic factors – always informed by the principle of subsidiarity - but the essence of the formula will always be very simple: the more a person contributes to the common good, and the longer a person contributes to the common good, the more voting power the person is granted. Individuals who begin contributing high rates of voluntary taxes from an early age and continue to contribute high rates throughout their lives would have a disproportionate impact on public policy. Here, then, is the essence of the voluntary tax formula:

$$\mathbf{V = 1 + [AVTR * (x_t)]}$$

V is voting power**.** On the right side of the equation, "1" represents the standard, inalienable vote to which all citizens have a right. The next part of the formula, in brackets, multiplies an individual's "average lifetime voluntary tax rate" (**AVTR**) by the "number of taxable years" ($\mathbf{x_t}$). In this way, the voluntary tax formula gives more voting power to individuals in proportion to their voluntary lifetime tax contribution. The aggregate effect of giving more votes to people who contribute higher percentages of their *own* wealth and income for longer periods of time (as opposed to individuals who simply call for the redistribution of *other* people's wealth and income) would be public policy that is much more aligned with the good of all social classes. The segment of the population with the most political power would be comprised of the individuals who have demonstrated the least amount of self-interest. This lack of self-interest at the heart of the model makes it much less vulnerable to the many and varied problems that arise when public policy is governed primarily by self-interest – including not only crony capitalism and other forms of political corruption, but also populist demagoguery.

It is worth clarifying that the voluntary tax principle does not condemn self-interest. It simply excludes it from politics. This ability to divorce business and self-interest from politics is precisely where the power of the voluntary tax model is found.

Section II: Three Basic Premises That Underlie the Voluntary Tax Principle

The most common initial response to the voluntary tax principle outlined above is shock. Apart from the vague reference made to the concept by Plato (Plato, 1968) and the few references made to the term by several thinkers from the Austrian school, the notion of connecting voluntary taxes with individual democratic power is, to my knowledge, historically unprecedented. The result of this novelty is a very strong psychological resistance to the concept.

With this in mind, I would like to explain four basic premises on which the voluntary tax model of democracy is based. Understanding these four basic premises should make it easier to grasp the soundness of the theoretical framework being proposed.

The first premise on which the voluntary tax model of democracy is based is the idea that freedom is superior to coercion. The traditional principles of taxation are founded on coercion, whereas the voluntary tax principle is founded on freedom. To move even part of the current tax edifice from a foundation of coercion to a foundation of freedom is self-evidently a good thing, and the more of it that can be moved, the better.

The second premise on which the voluntary tax model is based is the idea that neither the world nor democracy has finished evolving. In ancient assemblies, even before Athenian democracy, voting rights were limited to a defined group of free men (Keane, 2009) Since then, democracy has evolved to include everybody. The mathematical identity of "one person, one vote" gives the impression that democracy has reached a limit and that there is no more evolving to do. In reality, democracy is part of a much larger evolutionary process that started billions of years ago and will, so far as we know, continue for many more. The idea that the world is condemned to forever live with the multitude of shortcomings in our current political models is untenable and shortsighted. The world's political systems will certainly continue to evolve. We must decide if they will evolve for the better, or for the worse.

The third premise on which the voluntary tax model of democracy is based is the idea that the primary purpose of government is to promote the common good. According to this premise, government does not exist for any other reason. By inviting and actively encouraging individuals to *compete* for voting power by demonstrating a commitment to the common good, the voluntary tax model of government is logically superior to any model that does not have the same ability to promote the common good. It is also superior to any model of government that allows individuals to act in detriment to the common good (by declaring unjust war, for example), yet grants these individuals the same vote that is granted to every other person. If the purpose of government is to promote the common good, it does not make sense that individuals with varying degrees of commitment to the common good – from extremely high to extremely low - should all have exactly the same voting power. That is the third premise on which the voluntary tax principle is based.

The fourth basic premise on which the voluntary tax model of democracy is based is the fact that competition produces winners. This is a mathematical law that applies to the universe in general and to every area of human activity in particular. In business, for example, perfect competition favors the most efficient and innovative companies. Likewise, in the Olympics, competition produces world-class athletes. If a political system establishes a competition for the common good, that political system can count on the rise of a similar, elite group of competitors. This elite group of competitors is the key to understanding the effectiveness of the voluntary tax principle. Just as in capitalism stronger, more competitive firms eat smaller, less competitive firms and, as a result, consumers get better products and services for *lower* prices, so in a voluntary tax democracy, individuals who are more committed to the common good will outcompete individuals who are less committed to the common good and, as a result, society will get better, more effective public policy for *lower* taxes. If free markets are guided by an invisible hand, we might say that a voluntary tax democracy is guided by Adam Smith's *other*, historically overlooked invisible hand described in his *Theory of Moral Sentiments*. Indeed, if the forces of competition have led to great good in the economic arena, one would be hard pressed to argue that those same competitive forces cannot and will not also lead to great good in the political arena. Two invisible hands are better than one.

So, the four basic premises on which the voluntary tax model of democracy is based are:

1. Freedom is superior to coercion
2. Democracy has not finished evolving
3. The purpose of government is to promote the common good
4. Competition produces winners

If the reader is receptive to these four basic premises – that is, if these premises are minimally sound - then the intellectual leap to the voluntary tax model of democracy may be worth taking into consideration.

Section III: The Advantages of a Voluntary Tax Model of Democracy

The benefits of incorporating the voluntary tax principle into future models of democracy are too many and too profound to cover adequately in this short paper. In this section, I will outline four of the more immediate benefits.

The first and perhaps most important benefit of the voluntary tax model of democracy is its ability to reconcile the historical antagonism between individualism and collectivism. This antagonism is one of the most intractable and destructive political forces in the history of civilization, and it is just as alive and real in today's world as it has ever been. In fact, many writers argue that the enmity between left and right, as witnessed in countless class conflicts and political demonstrations around the world, is getting worse (Ortiz, et. al., 2013). More troubling still, there is compelling evidence that the gap between the world's most talented individuals and the world's least talented individuals is becoming larger and more pronounced *in direct proportion to the world's commitment to eliminating the traditional barriers to social mobility*. That is, the more we commit to closing the gap between the rich and the poor, the *wider* the gap actually becomes (Herrnstein & Murray, 1994). Despite the unimaginably large amounts of resources and several decades spent trying to fight this phenomenon, we are today no closer to a resolution (Picketty, 2014).

The voluntary tax principle has the power to reconcile the antagonism between collectivism and individualism because of its profound personal, moral and ethical dimension. The model's ability to place political power into the hands of persons who have demonstrated a lifelong commitment to the common good has been outlined. This unique political framework builds on the strengths of collectivism *and* on the strengths of individualism, yet suffers the weaknesses of neither. The model challenges individuals who profess an emotional affinity with collectivism to demonstrate that commitment by competing and contributing their *own* resources to the political machinery. At the opposite end of the political spectrum, the model not only allows individualists to opt out of voluntary taxation, it goes even further by protecting them from populist confiscatory tax policy. The price for opting out of voluntary taxation, however, is a political neutering. The voluntary tax model eliminates self-interest in politics, and thereby reconciles collectivism and individualism, by creating a competitive, voluntary taxpaying elite group of *persons*. This *personal* element at the center of the model is absolutely fundamental.

Both extremes of the political spectrum will benefit from the existence of a voluntary taxpaying elite. Collectivists will benefit by having laws enacted by individuals who have demonstrated a lifelong personal commitment to the common good, while individualists will benefit by enjoying increased freedom and by not being forced to finance a large government apparatus (beyond absolute minimum levels of contribution). Individualists also benefit by knowing that the people in power are not likely to be envious of their wealth or anxious to redistribute it. In short, in a voluntary tax democracy public policy will not be biased in favor of capital or biased in favor of labor. Public policy will be set by individuals who are interested in the whole human person and integral human flourishing. No other political framework has the ability to respond in simultaneous fashion to opposite extremes of the political spectrum.

A second important benefit of the voluntary tax principle follows from the first: its inherent ability to produce trusted leaders. By giving disproportionate political power to those individuals who have demonstrated a stronger and longer commitment to the common good, the voluntary tax model naturally engenders more citizen trust in the political system – even from those members of society who choose to opt out of paying voluntary taxes. The voluntary taxpaying elite will not suffer the high levels of mistrust associated with current political leaders, precisely because this elite will be comprised of individuals who have contributed virtually everything they have for their entire working lives. These individuals will not be motivated by personal economic gain and will, as a group, be almost impossible to corrupt. This inability to corrupt the voluntary taxpaying elite is likely to engender a virtuous circle of increased trust in the political process and increased trust in politicians. It is impossible to calculate the full social, economic and political windfall of a society in which the overwhelming majority of constituents trust and support the people in power, but it is safe to say that it will be a great improvement over a system that is plagued by mistrust and apathy.

A third important advantage of the voluntary tax principle is the natural, downward pressure that it exerts on compulsory taxation. To understand this, it is important to remember that the voluntary tax principle is an *adjunct* to the ability to pay principle and the benefit principle. By recognizing the voluntary tax principle, governments can count on traditional sources of revenue *plus* the revenue generated by voluntary taxes. If we pause to consider the various forces at play in the model – the inherent competition, the model's potential to produce trusted leaders, the model's power to remove self-interest from politics, the model's attractiveness for entrepreneurs and the model's pull toward sounder public policy - it is not unreasonable to posit the model's long-term ability to generate significant amounts of *voluntary* revenue. An important corollary to this increased voluntary revenue is the natural pressure to *lower* compulsory levels of taxation. Here, for illustrative proposes, we can make an important comparison: Just as better products and services for lower prices are a natural by-product of free market competition, better public policy and lower compulsory taxes are a natural byproduct of the voluntary tax model of democracy.

A fourth important advantage of the voluntary tax model is its inherent tendency to promote entrepreneurship, creativity and freedom. By entrepreneurship is meant the ability of individuals to undertake economic direction and actions in the classical liberal tradition of free markets, free trade and protection of private property. This conception of freedom does not exclude freedom from want or the freedom to engage in collective bargaining. The key to striking the right balance between these two rival conceptions of freedom rests with the ethical and moral authority that individuals in the voluntary taxpaying elite will naturally possess. This authority, combined with their political authority, will have a balancing effect on the forces that have traditionally reined in free or quasi-free, crony-capitalist markets (Kang, 2002).

In a voluntary tax democracy, wealth will be created by:

1. The personal example of the voluntary taxpaying elite
2. Eliminating crony capitalism and other forms of corruption in politics
3. Putting large masses of people to work
4. Responding to the needs of those masses in entrepreneurial and creative ways

The cornerstone of the above hypothesis is the fact that in a voluntary tax democracy public policy is set disproportionately by highly competitive individuals who have shown a lifelong financial commitment to the common good (point 1 above).

Section IV: Some Common Objections to the Voluntary Tax Principle

The voluntary tax principle is fundamentally sound, I believe, because it encompasses the whole human person – our individual nature as well as our collective nature. The model is so firmly rooted in this human wholeness that it responds to the needs and aspirations of persons at both extremes of the political spectrum. In this section I will respond to five of the most common objections to the voluntary tax principle.

A first objection claims that in a voluntary tax democracy the rich, who can pay more taxes, will have an unfair advantage. This is not the case because the model measures taxes proportionally and annually, not in absolute terms. Based on the rate of return on capital, wealthy individuals will have to decide whether they want to retain their capital or increase their political power. They can't have both because the model mathematically excludes the possibility of increasing wealth *and also* increasing political power. If the rate of return on capital is 10%, for example, and an individual's voluntary tax contribution is 20%, it will not take long for that person to lose his or her wealth. It's also important to understand the competitive nature of the model. At the upper extreme, people will inevitably compete at annual (wealth and income) tax rates of nearly 100%. One does not have to be a financial expert to understand that 100% tax on wealth and income will necessarily drive economically ambitious people (of all social classes) away from politics and into business, where they belong. Again, one of the most important strengths of the voluntary tax model is its unprecedented ability to remove self-interest from the top tier of politics.

A second objection to the voluntary tax model claims that corruption is unavoidable. Perhaps the best way to put this objection into perspective is to walk through an example. Readers are asked to imagine a young person who feels called, as a vocation, to compete for power in a voluntary tax democracy. On his 18th birthday, he gives 100% of his inheritance to the government in voluntary taxes. Next, he gets a job as a software engineer and contributes 90% of his first paycheck to the government. The following month, he does the same thing. He repeats this process year after year until he is 70 years old. In his zeal for the common good, our imaginary taxpayer has voluntarily given away 100% of his wealth and his entire life's work and has opted for a life of productive simplicity. Exactly what sort of bribe would be tempting for this type of individual to break the law and act against everything he believes in? Furthermore, even if he accepted a bribe, it's important to remember that he doesn't have absolute power. He is only one person. In a voluntary tax democracy, power is shared by millions of others who, just like our imaginary taxpayer, have felt called from a young age to give everything away. It is difficult to imagine a scenario where the *millions* of individuals in the voluntary taxpaying elite could be persuaded to act against the interests of the common good. Most citizens would not even think about trying to bribe the voluntary taxpaying elite because they would understand the futility and danger of such an endeavor.

A third objection to the voluntary tax model of democracy claims that the model is incapable of generating enough money to finance government. This objection fails to understand that the voluntary tax principle is an *adjunct to* rather than a *replacement of* the traditional principles of taxation. In other words, voluntary taxes represent an *additional* source of income for government, above and beyond what is generated through compulsory taxation.

It's also important to understand that, in the short term, the competition built into the model is likely to generate ever-increasing amounts of revenue. At the Giving Pledge (Website), for example, Warren Buffet and Bill Gates challenge their fellow billionaires to pledge the majority of their wealth to philanthropy. Most billionaires ignore the challenge. The voluntary tax model would grant the billionaires who have signed the pledge additional votes in proportion to their giving. This additional voting power would put pressure on public policy to align business goals with social problems. Bill Gates calls this "creative capitalism" (Kingsley, 2008). This competitive, socially sustainable cycle of addressing society's problems with business models (as opposed to addressing the problems with higher taxes and bigger government) will inevitably reduce the size of government until politics can be financed 100% by voluntary taxes in most regions of the world.

A fourth objection to the voluntary tax model claims that self-interest has historically been much more effective than self-sacrifice in the management of human affairs. It's important to understand that the voluntary tax principle does not aim to eliminate self-interest. To the contrary, the voluntary tax principle celebrates and defends self-interest and individual freedom as the motor of robust market economies. In reality, the voluntary tax model is the only political framework capable of morphing the far-fringe extremes of collectivism with the far-fringe extremes of individualism into one holistic, interdependent and synergistic system founded on the whole human person.

Conclusion

There is wide international consensus from both ends of the political spectrum that the world's current political and economic systems are not responding effectively to the profound complexities of globalization. Local, regional and national governments all over the world are suffering from a host of structural, moral and economic crises. Not surprisingly, trust in government is at historical lows (Gallup, 2014)

Against this background, this paper has challenged the widespread assumption that democratic theory has reached an evolutionary limit. To explore one possible avenue for the future development of democracy, the paper proposes the "voluntary principle" of taxation. This principle links voluntary taxes to individual democratic power. As an adjunct to the two traditional principles of taxation – the "ability to pay" principle and the "benefit" principle – the voluntary tax principle becomes a third pillar in the theory of just taxation. This "three-fold" theory of taxation purports to resolve the ideological inconsistencies that exist within and between the two traditional principles of taxation. At the same time, the theory promises to reconcile the historical tension between labor and capital through a new, more highly evolved model of democracy.

Implementation of the voluntary tax model of democracy, at least in theory, is relatively straightforward. The enactment of a constitutional amendment recognizing the voluntary tax principle would set into motion the powerful forces of competition described in this paper. This work is offered as an attempt to open the discussion about that possibility, and as a call for additional research about the role of taxation in the future of democracy.

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