

FREEMarket

PUBLISHED 10 TIMES PER YEAR BY THE LUDWIG VON MISES INSTITUTE

THE TAX GOUGERS

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The single most important tax reform of the 1980s was the indexation of the federal income tax to inflation and the reduction of the number of federal income tax brackets from fifteen to three.

Prior to that, ordinary middle class workers were pushed up into higher and higher tax brackets by simply receiving cost-of-living pay increases. The result was that a couple of years of cost-of-living increases actually *reduced* your standard of living by diminishing your overall take-home pay after taxes while enriching the state.

Under this corrupt scheme the Federal Reserve would print excessive amounts of money that created inflation. The inflation led to cost-of-living increases that in turn led to “bracket creep” and higher tax payments. The federal government’s budget became bloated while the taxpayers suffered. Politicians never had to take the heat for voting for a tax increase; inflation did it for them. It was truly a form of taxation without representation (not that taxation *with* representation is any better).

The federal government is no longer capable of plundering middle-class taxpayers in this particular way, thanks to indexation. But state and local governments do through the vehicle of property taxation. The Fed’s expansionary monetary policy over the past decade has caused artificially low interest rates that have fueled the real estate boom (or bubble, as some would say).

Along with extraordinary increases in property values have come equally extraordinary property tax increases all across America. According to online reports of tax revenues in my own state of Maryland, local governments in the Baltimore area alone collect about 35 percent more in property tax revenues than they did in 2000. Are Baltimore’s schools 35 percent better? Are the police 35 percent more efficient? Are citizens getting a third more services from City Hall?

Of course not; they’re simply paying that much more for the same rotten “services.” State and local politicians are reveling in “budget surpluses,” which should be more appropriately named undeserved windfall “profits.” These revenue increases are the result of an extreme form of price gouging by the state which is, after all, a monopoly in all that it does. ➡



On top of higher property taxes, many homeowners who have sold their homes have also been snared by capital gains taxes, not to mention the confiscatory “property transfer tax” in some states, which gives the government its percentage “take” of every real estate transaction. This is not unlike how the Tony Soprano gang of HBO fame goes about its business of making “collections” from local merchants.

After gouging taxpayers for years in this way, this election year has suddenly turned many local politicians into “tax cutters”—sort of. Republican Governor Robert Ehrlich of Maryland has magnanimously proposed to cut the state’s property tax rate so much that it would save the average Maryland homeowner as much as \$40 a year, almost enough to attend a Baltimore Orioles baseball game—alone. This comes three years after he raised the state property tax rate by 57 percent.

The first Republican governor in Maryland in 35 years “celebrated” his victory by imposing the largest property tax increase in the state’s history. Ignorant Maryland voters still believe that voting Republican is a vote against Big Government!

The property tax bonanza that is being enjoyed by state and local governmental

bureaucracies creates yet another evil. Whenever state and local governments experience windfall “profits” such as this, they use the money to appease more and more special interest groups by starting up myriad new programs. Then when the real estate market cools, or the economy in general slows down, the programs all remain in place while revenues shrink, creating a “deficit crisis.” This in turn leads to calls for even more tax increases, which impose further harm on the local economy.

There is never any mention of making government more efficient because government cannot be made more efficient any more than a cat can be taught to bark like a dog. Thus, property tax increases today inevitably lead to even more increases in the future, while impoverishing taxpayers more and more and damaging local economies.

During the early 1990s, after the last big real estate boom (of the 1980s), states that had experienced more modest revenue growth were in the best financial condition because they were limited in their ability to go on wild spending binges. State and local politicians are monopolistic price gougers. Every one of them should be thrown out of office this fall, just for the fun of it. ■

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Editor: Jeffrey A. Tucker. Contributing editors: Thomas J. DiLorenzo,
Jeffrey M. Herbener, Robert Higgs, Mark Thornton.

Publisher: Llewellyn H. Rockwell, Jr.

The *Free Market* is published 10 times a year.

Note: the views expressed in the *Free Market* are not necessarily those of the Ludwig von Mises Institute.

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THE TSA DISASTER

Llewellyn H. Rockwell, Jr.

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It's hard to know which Bush policies—every day, another disaster—will most immortalize this administration. But on this day, in this hour, I'm going to suggest that his name should be forever mud for his catastrophic decision to nationalize airline security after 9-11. This was a decision that affected everyone's lives for the worse.

There is war, spending, and missed opportunities all around, but generations hence might still be suffering at the hands of the Transportation Security Administration. It was hardly opposed by any mainstream voice of opinion (the Mises Institute did fight it). Still, anyone with a brain cell of economic understanding knew that airline socialism was not the best way to deal with the hijacking threat.

The TSA appearance on the national scene was treated as inevitable as a reflex, as in: the rubber mallet hits the knee and the knee jerks. Yes, even in the land of free enterprise, the first political instinct of the national elite is to purport to solve any and every problem with the creation of a massive new bureaucracy. The government wins at this game but the rest of us lose.

The main effect of the TSA? We could talk about the massive increase in theft from baggage, which all data show has soared. It used to be the case that you only had to worry about thievery when traveling internationally, especially through countries where government agents are in charge of baggage and security. Now the same is true in the good old USA.

We could talk about the loss of security. For all the checking, scanning, and

belligerence there is something oddly chaotic about the way people get in and out of flights these days. A journalist managed to board with a suitcase filled with what might clearly have been a bomb, and left it in the plane bathroom. After announcing this feat, he was quickly arrested and jailed.

We could draw attention to the loss of travel freedom, such that federal snoops have become the gatekeepers that allow us to fly from here to there. If they don't like you, you can't fly. This power is not only subject to abuse; it is itself an abuse. The private sector looks for customers, and only blacklists genuine dangers. The government has a penchant for only whitelisting its political friends. Woe to those on the blacklist.

A Bush partisan may say: oh this stuff can be fixed. And yes, Congress and regulators can attempt a crackdown on TSA thievery and abuse of citizens. But the propensity will always be there in any government bureaucracy because they are not working for you but for the mythical blob called the "public sector," which is really nothing but a stash of stolen cash divided among the robber class.

The TSA can go through the motions but they are not owners and have no serious investment in the safety and well-being of the airlines, anymore than the Department of Labor cares about the well-being of workers.

But let us discuss something more practical: the incredible waste of time and the unrelenting frustration that flying has become since the TSA took over.

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News from the Institute

Summer at the Mises Institute

You know that it's summer at the Mises Institute when the weather heats up, students start arriving for our summer programs, conference rooms are prepared, and applications for Mises University pour in.

But we have never had a summer with so many offerings: Thomas DiLorenzo on American history, Roderick Long on philosophy, Paul Cantor on commerce and culture, Joseph Salerno on Austrian analysis, and of course Mises University.

Each session lasts a full week, and each will be recorded, podcasted, archived, and made available for home study. ■

Libertarian Renaissance

You might have noticed that the Mises Institute has begun a grand program of making sure that libertarian classics are in print and available. We won't disguise the goal: to crush the existing political paradigm and replace it with a radical new approach.

For A New Liberty: The Libertarian Manifesto proposes a once-and-for-all escape from the two major political parties, the ideologies they embrace, and their central plans for using state power against people. Libertarianism is Rothbard's radical alternative that says state power is unworkable and immoral and ought to be curbed and finally overthrown. To make his case, Rothbard deploys his entire system of thought: natural law, natural rights, Austrian economics, American history, the theory of the state, and more.

Also: it's finally here, the bound edition (two massive volumes, softcover) of the *Libertarian Forum* that serious collectors and readers only dreamed about a few years ago. Those who were lucky enough to have the complete set held onto them for dear life.

After all, their value was legendary: the *Libertarian Forum*, edited by Murray N. Rothbard from 1969 to 1984, had a small, even tiny, circulation but it forged the intellectual edifice known as libertarianism.

It is huge: 1,202 pages! We divided it into two volumes to make it manageable. And thanks to donors who also saw the need, and the many people who worked to find copies and send them to us, we put together an entire set, and now they are available for a whole new generation interested in libertarianism. ■

Rothbard Made Easier

The *Man, Economy, and State Study Guide* by Robert Murphy provides an open window into this huge classic by Rothbard, one that will be used in classrooms around

the world. It contains chapter summaries, technical notes, notable contributions, and study questions as well as a CD with the entire text in searchable format. As such, it is an essential book to accompany the main text. It is spiral bound for ease of use. ■

Mises Mises Mises

In the last several months we've noticed a huge upsurge in quotations of Ludwig von Mises in the mainstream press, from *The Economist* to *The Wall Street Journal*. He is even being cited in Congressional speeches! The secret source here is the Mises Quotation Machine we always have running on Mises.org, filled with quotations on every subject. ■

The Mises Circle

We've held two regional meetings so far this year—one in Texas and one in California—and we hope many more are on the way. They have been sold-out occasions, which is very exciting for us. If you are interested in sponsoring one of these meetings in your area, please contact James Fogal at 334-321-2106 or email james@mises.org. ■

The Rest of the Year

This year we will have published more books than any previous year by far. It has been made possible by generous benefactors who make this program economically viable for us and you. If you are interested in underwriting a book project, please contact James Fogal at 334-321-2106 or email james@mises.org. ■

Archive of Liberty

The Mises Institute has priceless archives of the works, letters, and papers of Ludwig von Mises, Murray Rothbard, and Robert LeFevre. We hear from scholars doing work in intellectual history who plan trips to the archive, and some have already come to find a gold mine.

Among the new items in the Mises Archive is a massive collection of Mises's lifetime notes on proposed research projects. Bettina Bien Greaves graciously sent them, and we have made them available online and in the archive. Many of them have been completed in the intervening years, but there are many left to do!

A project we are working on involves fixing up the archive facilities to make them more secure, more comfortable, and more expansive. It is an expensive undertaking but part of what we must do to preserve the research and writings of these masters. If you want to help with the project, please drop us a note. ■

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When you first get to the airport, you enjoy the speed and friendliness of the airline employee who processes your ticket.

Then, suddenly, the joy ends. You find yourself in the TSA mire. Your bags must be rummaged through. You must have your papers checked. You must be badgered and belittled by various functionaries who treat you like an inmate in their prison. Babies must be snatched from mothers, stinky feet must be dis-calded, nail files must be confiscated, and all your personal belongings must be strewn about for all to ogle. If you object, you only make life worse for yourself.

When you leave the grip of the TSA and finally enter the private sector again, it's like Dorothy viewing Oz. Employees, even unionized ones, work like never before to make sure that you are cared for and treated properly. They almost seem to express a kind of regret for the way everyone has been so mis-handled by the TSA.

The main cost, aside from respect for human dignity, is time. The TSA has gobbled up thousands of lifetimes of our time. Airlines themselves are working very hard to make up for the difference. The more quickly they can get people on and off the plane, the more flights they can run in a day. In times of thinning profit margins from the high price of gas (thanks again, Bush!), the scramble is on to save money somehow.

Times like ours call for innovation in areas like security but the public sector does not innovate. They will be using the same methods and approaches in ten years that they use today. The terrorists will always stay ahead of the game. And the costs of keeping this bureaucracy will rise and rise.

We read in *Wired* the supremely interesting saga of how airlines are experimenting with new ways of seating people. The point is to minimize the struggles between passengers. It was

once thought that seating from back to front is the best way. But some experts have found that just by letting people board and find any seat, passengers work out their own difficulties and get situated. Other people who have studied this recommend a "reverse pyramid" method of seating people.

What's the goal? To speed up boarding. That makes more flights possible, improves profitability, and leads to lower prices. All of this is good for the consumer. Who wouldn't want to shave off time that one has to spend hanging around airports?

So here is one example among trillions: the airlines' interest is the same as the consumers. Imagine that: the market at work. Might the same mechanisms be used to improve airline security? We don't know for sure how the airlines would have responded to 9-11, but whatever they did would not have been structured to punish consumers and violate rights.

Instead we got the TSA, a Stalinist creation. Everyone please do his or her part to pin this dreadful agency on the Bush administration, which is precisely where the blame belongs.

People seem to forget that the essence of 9-11 was a hijacking. It was a case of theft that ended in disaster, and one of the reasons it wasn't prevented was that government was already heavily regulating the way airlines provided security. Private owners deal with the possibility of theft all the time. The provision of security is a market function.

Think of it this way. If the government were in charge of the security of your home, rather than private alarm systems and locks you buy from the store, would you feel more or less secure? Airlines too can manage their own security. But the TSA has made that prospect more remote than ever before. ■

Lew Rockwell is president of the Mises Institute and editor of LewRockwell.com. Send email to Rockwell@mises.org. See Lew's Columns on Mises.org. Comment on the blog.



June 26–30, 2006
Auburn, Alabama

For more information see mises.org/events, contact Patricia Barnett (pat@mises.org), or call 800-636-4737.

Foundations of Libertarian Ethics

A Philosophy Seminar with Roderick Long

Roderick Long is associate professor of philosophy at Auburn University; editor of *The Journal of Libertarian Studies*; president of the Molinari Institute; adjunct Scholar of the Ludwig von Mises Institute; and author of *Reason and Value: Aristotle versus Rand* and the forthcoming *Wittgenstein, Austrian Economics, and the Logic of Action*. He blogs at Praxeology.net.

Student scholarships are available.



U P C O M I N G E V E N T S

- INTRODUCTION TO AUSTRIAN ECONOMIC ANALYSIS WITH JOSEPH SALERNO
Auburn, Alabama • June 12–23
- FOUNDATIONS OF LIBERTARIAN ETHICS: A PHILOSOPHY SEMINAR WITH RODERICK LONG
Auburn, Alabama • June 26–30
- COMMERCE AND CULTURE: A SEMINAR WITH PAUL CANTOR
Auburn, Alabama • July 24–28
- MISES UNIVERSITY 2006
Auburn, Alabama • July 30–August 5
- IMPERIALISM: ENEMY OF FREEDOM SUPPORTERS SUMMIT AND SCHLARBAUM AWARD
Auburn, Alabama • October 27–28

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