

Video Script for: What is the “Real Tax”??

Hello, I’m Russ Randall, the founder of Austrian Enginomics, a blend of Austrian Economic Theory and Engineering.

I have a unique “cocktail party” economic question that could change the world, if it becomes viral. This question gets to the heart of uncovering: “What is the **Real Tax** and **WHEN** do we actually experience the Real Tax? I see this as a possible “hook” that might galvanize all economic discussion into a common-sense basis of logic. If someone says they want to cut taxes by reducing tax revenue or marginal tax rates, then one could **not** be more misleading. Actually, legislators who cut tax revenues under the guise of cutting taxes are committing fraud. So, gather friends at your next party and pose the following question to them:

*If all levels of government “cut” all taxes to “0” and collected no taxes or fees whatsoever, but continued paying for all government functions and programs that exist today, then **WOULD WE BE TAXED?***

Webster’s dictionary and the politicians would say no, you’ve cut taxes to “0”. All others would recognize the truth and acknowledge...of course, we would be taxed somehow!

Clearly, then, the “**Real Tax**” is **not** simply revenue collected! Here is the government spending level; here is the revenue level and here is “0”. The gap between spending and revenue is funded by the issuance and sales of new Treasuries. We can all recognize cutting tax revenues down to “0” would not eliminate the Real Tax.

By the way, in my “cocktail-party” question: “...would **we** be taxed?”, “**we**” means the citizenry of a sovereign country.

So, if revenue collected is not the Real Tax, then what is? The Real Tax is the actual level of direct or indirect labor and natural resource utilization authorized by government whether those resources are government employees, contractors of government work, suppliers of food, medicine, capital goods, or etc. to fulfill a government purpose. Given that the Real Tax is labor, it occurs in real time every minute of every day and can NEVER be recovered; spent labor can never be recovered.

This is in sharp contrast to a taxpaying individual (or business) parting with some of his hard earned money and transferring it to a government entity, which is the traditional context of the term tax.

To elaborate, the **only** way for government to consume or transfer wealth is to somehow coerce it in the first place. Its source could be current taxpayers or Treasury investors in the case of the Federal government. Regardless, those receiving it will consume it, and it will **never** be recovered. Hence, the ultimate goods and services that are transferred or consumed is the final manifestation of the labor and natural resources allocated to a government purpose. The “Real Tax” is a very high correlation to **government spending!**

An interesting question then is: Would we be taxed, if the tax revenue was utilized to repay Treasury debt? The answer is NO! The intertemporal promise by government to satisfy a bond redemption-demand from a Treasury investor, who sacrificed to purchase it initially, may NEVER happen. This tax collected later to redeem the bond investors is **not** the “Real Tax”! Government could default or repay in a currency diluted in value, which is technically a partial default. The

citizenry was Really taxed when the bonds were issued and sold, then proceeds were utilized to extract and consume or transfer goods and services produced by labor to satisfy a government purpose. I refer to this tax to repay Treasury holders as the GSIRT tax; Government Security Investor Redemption Tax. This GSIRT tax is an effort to spread the tax BURDEN to taxpayers of the future. Remember, the Real Tax was spent when the labor was allocated for a government purpose funded by taxpayers and Treasury purchasers at the time. The Tax BURDEN may be shifted.

However, it is very likely that future taxpayers who might face a government attempt to collect more in tax revenue than they spend (imagine that!) would fully rebuke the idea and fire the politicians. Consequently, the FED would revert to debasing the currency; that's inflation, which harms those holding the debt securities and dollars TODAY; It's NOT the "children and grandchildren"... It's dollar and debt-holders TODAY that will get hosed very soon.

We are experiencing the most extraordinary debt bubble in the history of the Republic of which government debt is only a portion.

Remember, the Real Tax is NOT simply tax revenue collected; it's very close to government spending!!!! If a politician says "government should never raise taxes in a recession", then we should interpret that as they should never raise spending in a recession. Tax revenue collected has very little to do with the "Real Tax". Again, Real Tax IS THE SPENDING..!!! Sadly, government debt is an illusion of wealth which is now growing parabolically. When this illusion is discovered by the masses, it will be a very bad-hair day.

Now, please forward this "cocktail party" question video-link to your friends and let's make it go viral.

By Russell M. Randall 2-22-2011