

No Taxes

**Imagine a future without the bother of Taxes,
maybe, without Taxes altogether.**

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I

Totality

About five years ago, I gave a talk sandwiched between Tipper Gore and Dan Quayle on the electronic world, in 2050. After some consideration of the fact that I was sandwiched between a Democrat and a Republican, I made up something I thought could give both sides of the fence something to think about. The talk was on how we could do away with all taxes. My favorite form of taxation is taxation with No Taxes at all. Sadly for me, in those days before the Internet, the audience was largely dumbfounded. They thought I was crazy, but that's OK. I'll try again with this book. Now that the Internet has blossomed a bit, us geeks get more attention.

When I hear a Republican say to lower taxes, I say No Taxes! Period! When I hear a Democrat say more money for government services, I say go for it! You can have more! You can have your cake and eat it, too! Interested? Here's what we have to do:

We have to do away with all printed and coined money.

Just the United States could do this, in order to get rid of all U.S. taxes. Everybody who has dollars and cents goes to their bank and exchanges their physical cash for electronic cash. You have four months to trade all your real cash in exchange for your federal electronic cash. While the exchange program continues past the four-month deadline, physical cash is now outlawed for transactions. How does that sound?

You pay for things electronically over the Internet with your credit cards, or with handheld Internet appliances, like telephones and pagers. Thankfully, transactions can be made anonymous so the government can't know it's you. Your privacy is perfectly protected. The government can know that somebody, or perhaps a company of a certain sort, paid a certain number of dollars to pay for a certain type of thing: like a car, some lettuce, legal fees, college tuition, or a donation to a church. The government can know

what they need to know, but they won't know that it's you or your company buying or selling the stuff.

By fiddling with the books, the government now grants itself a certain percentage on the electronic transactions. The people who exchange money for goods or services don't have to add or subtract anything. There are No Taxes. No Taxes at all. The government just prints itself some additional federal electronic money for the government to spend. The percentage created is on transactions selected by Congress with advice from economists and government accountants. The selected transactions might even include gifts to non-profits with no harm to you or I. It won't be huge a huge percent, maybe 8%, because there is a lot more control over monitoring the amounts of money actually paid, and for what.

If you, too, are now firmly convinced I'm crazy, consider how weird taxes are today. Income tax has the seller paying a tacked on percentage of the actual price directly to the government. Sales tax has the buyer paying an extra percentage to the government. Real estate tax has you just paying tax for the right to own something. The fact is that government has to manufacture this extra money in order to pay itself! How weird is this? Why doesn't the government just manufacture some money for itself based on monitoring the transactions directly, and take out the middlemen, you and me? What's the difference really? It prints the money it needs to support the tax payments anyway.

No Taxes would do away with us mortals having to report the details of our lives to the government! How much does the government get with No Taxes? They get as much as they can get away with.

The government is always a competitor for our goods and services. They simply have to watch how much competition they create.

In wartime, the government buys so much that they cause shortages. The effect is to increase prices and cause inflation. If the government is allowed to invent money for itself based on electronic commerce, then it has to be controlled as a competitor for goods and services. The government can buy water when water is plentiful, but it had better justify it's purchases pretty well when it buys rare things like platinum, a Los Alamos Project, or doctors to tend to the sick. Doling out money for the government is a matter of hard accounting. But now we, the citizenry, can have fun watching those accountants justify themselves to us! Not the other way around,

Does No Taxes get rid of H&R Block? No, but it makes the lives of the H&R Block guys more enjoyable. Now they can be paid to maximize your market opportunity. They can find you money that the government needs to spend. You pay them to make you more of your tax-free money. You, the poor non-taxpayer, can decide what to buy and sell based on what people will charge or pay, not on taxation conditions. Wouldn't it be wonderful? Yes, it would.

This works for U.S. money without involving any other country! Wonderfully, the government can now reasonably dictate a means of reaping money from the buying and selling of goods in U.S. currency abroad! Remember the Internet? It's global.

We even do away with counterfeit money. Counterfeiters, if you haven't been told, have gone crazy with desktop publishing and color printing. Both Republicans and Democrats should see this one. The government could afford to give everyone the five-dollar, credit-card size, device that the less affluent might employ to spend their money and get paid. Counterfeiting this device would be impossible because it is just a digital wallet. Anybody can make them, or put them into things like cell phones. You still need banks, the Federal Reserve to throttle us occasionally, the secret service to watch the money handlers, and pretty much everything else, but you can't counterfeit money.

A Republican can now say "No Taxes," and a Democrat can say "More Services for the People!" The Republican has to show us that government cannot cause inflation or, by not spending where it ought to, deflation. The Democrat has to show that government buying of goods and services also doesn't cause inflation. The petty fighting between the parties will probably be no different from today. That's fine. You and I don't have to pay taxes. Not one cent to the U.S. Government, not one cent to the state government, not one cent to the local government, not one cent to any government, for anything, ever again. It's not that we don't pay, it's that we don't pay taxes.

I gave the talk on No Taxes because I personally like it a lot. At the time, in 1994, I was also predicting the Internet revolution. If Internet surprised you, realize now that No Taxes is perhaps not as crazy as you might think. It's not half as improbable as being the speaker sandwiched between Tipper Gore and Dan Quail.

If you are trained in Economics you have certainly, by now, decided that No Taxes is the economic equivalent of a perpetual motion machine. No Taxes would seem to require the impossible of printing money for the government to buy goods and services without causing inflation. This is not what is being said in this book. For the Economic scholars among you and others who think this book is about perpetual motion machines, the book's argument goes like this:

- (a) Go to electronic money and take out the taxpayer as the middleman, the result is no taxes for tax payer, much better information, and more efficient economic taxation models.

- (b) There is a paradox that the government prints the money it uses to pay for goods and services, and then it taxes the money back. This is seen as an anti-inflationary mechanism, when it is obviously inflationary in hidden ways, because the government barges in and gets goods and services for nothing based on what

amounts to timing. So, perhaps there are other ways to control inflation and do away with taxes entirely.

We simply won't understand what we can do until we actually go to electronic money and learn more about the opportunities. It might be that we can, indeed, remove all taxation as well as the hassling of people about taxes.

To say that we already know the answer to this question is, I believe, not good scholarship. Our laws of Economics are not so firm as the laws of nature. So, while it may well be that No Taxes is a perpetual motion machine, it might also surprise people like the Internet. It is not clear, to me, anyway, that money and taxes are immutable forces of nature, or, at least, why they absolutely have to invade our lives with such vengeance.

This then is the totality of the story of this book. If you buy the argument for No Taxes, you might stop here. If you have million questions or think this might be a fun topic, read on.

What remains is meant to be a short book in episodes. Each episode expands on what has already been said. There is no way to work through every detail of a No Taxes future but we can at least hope to gain glimmers of the adventure in front of us.

This book is meant to be fun to read. As a lay-person, the perspective on taxes is from the outside looking in. An accountant takes money seriously, and rightly so. But in this book, let's take the pain of accounting seriously, and money a bit more lightly. An economist also rightly takes his work very seriously. But let's stand back and look at what the economist sees, from the eyes of someone interested in absolutely getting rid of all taxes.

II

Magic Stones

We begin our quest with a cartoon history of money and taxes. The purpose is to awaken our consciousness in the absurdity of money and taxes. So, going back, say, 40,000 years, you are tending your field, and the big bully living up in the cave begins running your life...

“This is a magic stone. Here, I put a hole in it. Now, I am the only one who can put a hole in stones. If anybody else does, I’ll have them stoned to death!”

Weird, but OK.

“You can trade a magic stone for a rabbit pelt. Trust it. I’ve got a thousand soft and warm rabbit pelts. Anytime you need one, just give me back a magic stone.”

OK, so this guy wants to get more rabbit pelts. But he’ll trade me back. OK.

“Oh, no! I’m running out of rabbit pelts! I forgot they rot. And now everybody wants more magic stones. Every year you can weigh me. If you don’t give me rabbit pelts for my weight in magic stones, I’ll kill you. Wait, I want your trust. I’ll just take my weight in magic stones. Forget the pelts. I’ll kill you, too, if you don’t give me a pelt for a stone.”

Huh? Is this guy crazy?

“Ok, maybe I don’t have enough rabbit pelts myself, anymore. Just forget all that about me giving you one for one of my magic stones. You are already hooked. Everybody knows that my magic stones are worth rabbits now.”

Yea, right.

Section 8. In World War II, a “Section 8” was your ticket home, because you were judged to have gone raving mad. Well, its also the taxation section of the United States Constitution: “The Congress shall have the power to lay and collect taxes, duties, imposts and excise, to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imposts and excises shall be uniform throughout the United States.”

“If I weight a thousand stones, you all have to split up the share that you owe me, equally. You can trust me; I don’t show favorites. If you don’t give me the stones that you owe me, I’ll kill you. Oh, by the way, if you die, I want all your stones back or I’ll kill your children.”

Well, at least he is doling out his punishment to everybody equally.

“Isn’t this great? It works for me!”

I don’t know if this works for me, but I had better be quiet about that. This guy is threatening to kill me.

“I’ve been told that many of you just don’t have the stones you owe me. Now that I’ve taught you to add and subtract stones, I will let the rich people pay more stones than the poor people. If you add and subtract wrong, I’ll kill you. But aren’t I fair now? By the way, your tax needs to be 200 times my weight because I’ve got to watch you more carefully. I can’t just take a census and count you anymore in order to figure out what you owe me.”

In 1999, 1.456 trillion magic stones, ah...dollars, were collected in personal income tax, 182 billion in corporation income taxes, 26 billion in unemployment taxes, 71 billion in

excise taxes, 28 billion in estate taxes, 18 billion in duties, 42 billion in assorted other taxes, and about 10 billion in random other revenue for the United States Government. That's a total of 1.833 trillion magic stones collected in 1999. The Government spent 413 billion on defense, 905 billion on human resources, 95 billion on physical resources, 230 billion paying interest on the debt, and about 112 billion on other things, for a total of about 1.756 trillion magic stones. We'll talk about Social Security and other off-budget things later. About 5,000 people were in jail for figuring wrong what they owed the government in magic stones.

Stand back a moment, into the light of reality. One and a half trillion dollars, of the one and three quarters trillion dollars of government revenue, came from income taxes. In 1895, about a hundred years ago, the Supreme Court ruled income tax unconstitutional! For your information, by the way, about twenty years later (1913) our government had had enough of this unconstitutionality stuff and passed the 16th Amendment to the Constitution. Now, in 90 or so years, this once illegal income tax, that seemed so irrational and silly, has come to this giant portion of the government revenue. Even worse, virtually all the Government revenue comes out of your income, and they put you in jail if you don't take your adding and subtracting seriously enough.

The drums start beating. You can hear them everywhere. They beat out the message: "Friends and Countrymen. I have very grim news. On our northern shore, people who have no regard for our country are attacking, killing everybody, taking all the rabbit pelts, and smashing our magic stones. For this purpose, I've had my hole makers make tons more stones. I know, I know, I don't weigh tons. But you need me to stay slim, trim and ready to fight this menace. So you just owe me 10,000 times my weight in magic stones. Learn to multiply and divide folks. I'll kill you if you don't pay me my new tax. I'll get the tax you owe me later, as soon as you get the stones that I will pay you to help me with this menace."

Let's see, he's now saying that he will make stones and give them to us for our work so he can take the stones back in payment for the stones he made. I don't know about what anybody else thinks, but this guy sounds really crazy.

Here is the balance sheet of the United States Government in 1999. For those of you used to looking at balance sheets, read it and weep (in billions of magic stones):

Assets

Cash 115
Accounts receivable 35
Loans receivable 184
Taxes receivable 23
Inventory 173
Property 299
Other 54
Total 883

Liabilities

Accounts payable 86
Debt 3,632
Benefits payable 2,601
Environmental Liabilities 313
Benefits payable 74
Loan guarantee liabilities 35
Other liabilities 169
Total 6,909

Net Position -\$6,026 (or, minus six trillion magic stones)

Expected annual revenue \$1,750 (about one and three quarter trillion stones)

Actually, this is all much too complicated, and when the government tucks things like 54 billion dollars or 169 billion dollars into the “other” category after listing a lot of categories already, it’s pretty confusing. So a simplified balance sheet says:

Assets

Cash 115

Other 768

Total 883

Liabilities

Accounts payable 86

Benefits payable 2,601

Debt 3,632

Other 590

Total 6,909

Net Worth of the United States government in 1999: about -6,026,000,000,000 magic stones

-\$6,026,000,000,000. Hmm. Anybody for a party? How about losing a night’s sleep?

The U.S. Bureau of Engraving, and, in fact, most of the security printers for most of the first world countries have had to move from sheet-fed printing to continuous web printing because, otherwise, they couldn’t print money fast enough.

OK. If the message isn’t coming through, you have this hardware store. Here is your balance sheet:

Assets

Cash \$115,000

Property and Goods \$768,000

Total \$883,000

Liabilities

Equity -\$6,026,000

Accounts payable \$86,000

Debt \$6,233,000

Other liabilities \$590,000

Total \$883,000

You make about \$145,000 a month in total revenue selling your rakes and concrete.

See..it, ahh...all balances! How are you feeling?

The Graphics Arts and Technical Foundation, a standards group for the printing industry, has just completed a forensic set of printing examples for the U.S. Government because desktop printing has put high quality counterfeiting in the hands of most anybody. The forensic set has one page for each color printing method known. The set is over six feet thick.

Anyway, the United States of America has enough cash for most of this month. Did somebody say we manufactured our own cash? We'll have as much cash as we need. Do you have desktop publishing in your hardware store? You might be able to fix your little six million dollar problem with your color printer.

The government could just print six trillion dollars and pay everything off. It could subtract the 230 billion dollars it pays on interest today. So it would need only 1.5 trillion dollars in revenue, instead of 1.75 trillion dollars. This would probably continue just fine and dandy until we have another war, or something that seems like war to our government.

But, of course, the government dare not just print six trillion dollars and pay everybody off. The whole economy is about nine trillion dollars. The magic stones would probably lose their magic if the Government did that. Rabbit pelts would almost immediately cost a lot more stones.

“I am happy to say that, after the war, we have made great strides in stabilizing the cost of rabbit pelts. We also have a lot more stones at work in our economy. This is all very wonderful. I have a lot more taxes coming to me. Do you like my shiny new white castle? You can visit. I run free tours.”

Well, at least we are getting something for our taxes.

“I have found that our great economists are right in their theory of supply and demand. If supply is constant, an increase in demand will drive up prices. A decrease in demand will drive down prices. If demand is constant, increasing supply will drive down prices. Decreasing supply will drive up prices. Supply and demand for goods and services change constantly. I need prices to remain relatively stable so your taxes will mean something, and you can trust in the value of my stones.”

Uh, yea. Sure.

“I have used your taxes to buy goods and services from you. This has made many of you stone rich, and you are very happy about that. But I now recognize that every tax dollar that I spend, drives up demand and drives down supply. Every time I spend a tax dollar to buy goods and services from you, I tend to drive up prices for those goods and services, and devalue the stone.”

This is true. I do seem to have more money than I did before.

“Of course, you know I have plenty of rabbit pelts nowadays. I don’t buy many of those with my tax dollars, so rabbit pelts have seen something of a depression. They are now a dime a dozen. In not buying the rabbit pelts I used to buy, I’ve driven down their prices because there is now over supply and less demand. But here the stone is worth more.”

This guy sounds like he knows what he is doing now.

“I hereby announce a better way to measure the taxes you owe me. Let’s forget that thing about weighing me every year. I’m getting pretty old. I seem to be shrinking. I’ve been charging rich people more stones by looking at how much property they have. My economists tell me I can get a lot more stones from you, without harming prices too much, if you measure your income every year and I just take a bit of it. Let’s say, 25%.”

Wait a minute, hold it. Stop! I want to get off!

“Don’t worry, I give you as many stones as you need. I have lots of hole makers now. This lets me get the stones I need to spend on your goods and services. I base my taxes on your own productivity and consumption rates. This way, I don’t have to worry about whether I am going to cause inflation or deflation, as I had to worry about it in the past.”

I’m getting lost now!

“As you know I have hired a whole bunch of accountants to help us measure the details of supply and demand and the local spots of inflation and deflation. We let the prices of rabbit pelts fall, but we’ll take some of our tax stones tomorrow to prop up their prices a bit. Now that we understand supply and demand, we can be much more careful with your taxes. More important, I can buy more pretty castles for you to tour than I ever imagined I could before.”

Did he say he was just going to buy rabbit pelts to prop up the prices?

“I want you to know that we depend on you to tell us the truth every year about your income. So, I’ve assigned my meanest and dumbest accountants to come visit you, every once in a while, to make sure your income is what you say it is. If it isn’t, I’ll have to kill you and just take all of your stones.”

“Marge! Pack our bags. We’re leaving Africa!”

This brings us to the present day in the history of money and taxes. Some unimportant detail has been taken out but the major events seem to have been recorded in this chapter. If anybody dares say the proposal of taxation with No Taxes is crazy, please come back and consult our history, and what we are doing today. It’s all about little stones with holes, rabbit pelts, and somebody ready to kill you if you don’t respect their little stones.

Sound sane? Sound like where you want to be? Please, don’t think of taxation without taxes as some kind of insane quackery. We’re all quacking pretty loudly already.

III

Good, Bad, and just plain Weird

Taxes. Taxes are good. Taxes are bad. Taxes are just plain weird. Stamping out all taxes is not something that civilization just does tomorrow. Let's give the process about ten years. John Kennedy gave us this long to go to the moon. Of course, maybe we have to add a year to give the economists and accountants awhile to exhale, after they choke and turn blue about not having taxes anymore. What's good about taxes? What's bad? What just plain weird about them? Let's see in this episode.

Taxes are good because they limit government spending to measures of economic viability, because they teach the populace to add, subtract, multiply, divide and generally be educated, because they scare people all the time into not committing really violent exceptions to governmental ideals, and because they engage our creative juices in defeating government guessing.

The biggest of these is that taxes limit government spending. Without taxes, the government could just go wild manufacturing money and spending that arbitrarily manufactured money. The result would be the equivalent of a permanent war. The government would spend arbitrarily too much or too little on this good or service or that good or service. The government might decide to give everybody an airplane. Without taxes they might as well print money for themselves until they explode and explode us in the process.

Historically taxes had the civilizing function. Taxes were a way to get people to educate themselves, to force people to come up with money when all they had was land, and to communicate with the government despite the strong natural propensity to just ignore the government. As a civilizing function that stimulates the economy, taxes are just more humane than sending in troops to kill people until they listen. You can't manufacture markets with troops. But you can manufacture markets with taxes.

Will the removal of all taxes cause us to revert to uncivilized beasts? Will we slowly stop doing work for others, and spend ever-increasing time just sitting on our farms eating beans and chickens, and watching the leaves flutter around? Or have we already reached the stage of civilization where the civilization in us is not going to go away? Is there such a stage? Can there be such a stage of civilization?

There is possibly a way to know the answer to this question. The method is the same as the method of actually doing away with all taxes. As we will see, the government will have to continue to monitor all economic activity. We can construct a measure; let's call it the "Civilization Deconstruction" measure. We don't even have to invent the measurements, this measure is already familiar as the Gross Domestic Product. Fortunately the Gross Domestic Product doesn't change much year to year. In 1997, it was 8.3 trillion stones, in 1998 it was 8.8 trillion stones and in 1999 it was 9.3 trillion stones. We will have plenty of time to save civilization, if No Taxes causes everybody to get lazy.

The biggest argument that taxless society will be fine is very simple. While No Taxes means that you don't have to spend a considerable portion of your life in worry, pain, and plotting, it doesn't mean that the government stopped spending money buying stuff from you. The government continues providing people with real opportunities to get filthy rich, own islands in the South Pacific, and sip ever-smaller cups of coffee on the backs of ever-more other people. In fact, if the suspicions are right, the government will have even more money to make more and more people richer and richer. All they have to do is to provide the government with goods and services. They have to work or become more efficient at work. This is not sitting on the back lawn dreaming of chicken pie.

Taxes have been good. Now, the proposal is that we are sort of civilized already and that taxes are now only bad. Taxes should all be done in. The movie "Popeye" had a tax-man going around and charging taxes for almost anything. There was a \$.25 docking tax, \$.17

new-in-town tax, \$.45 boat-under-the-wharf tax, \$1 stuff-laying-around-the-dock tax, a \$.05 question-tax, and a \$.50 up-to-no-good tax. Furthermore, he was an exact-change tax man. Being civilized, Popeye always paid. It didn't make him happy. Let's look at all kinds of more common, though no-less strange and weird, taxes and see how each one interferes with our general welfare.

Say, "general welfare." This, if you recall, comes from Section 8 of the Constitution as well as some other sections. It says that Congress should provide for the general welfare. An argument for No Taxes is that all taxes are unconstitutional because they interfere with the general welfare. Congress must develop, on constitutional grounds, ways to collect taxes without collecting taxes just in order to promote the general welfare. So let's see.

Income taxes ask you to report how much money you made and force you to pay a percentage of this money to the government. There are many bad things.

First, you have to actually pay attention to money you made. A lot of people actually don't care about money or the money they make; they don't measure themselves by money. Great mathematicians, brilliant pianists, wonderful machinists, great educators, and gifted carpenters become great because they give single-minded attention to what they value, and what they value is not learning how to fill out their tax forms.

Accountants and all kinds of other people feed on these people and deplete their money, like parasites. Too many times a bad apple accountant gets loose and takes these people for more money than they can afford. The opportunities for this loss to our general welfare would be greatly mitigated if these good industrious people only had to worry about the cash they had in their pocket.

We all know these people. It is hard to estimate their number but it could easily be over 80 percent of us. People who don't want to spend their time plotting over how they are going to be rich, should not be forced to wonder how much of the dollar that they get to

keep. They should not be forced to wonder who they can trust to figure out how much they get to keep. There is real damage being done to our ability to hold to higher ideals of civilization, if we are constantly being brought down to money management.

Among the few segments of the economy that have been protected from taxation is the religious community. Here we see among our ministers and pastors people who are able to concentrate on their skills, but even here income tax looms its ugly head. There is a bit of protection from taxation, and you can easily observe its good effect, but there is not enough protection because you can see how stressed your pastor is over his own money and tax problems. Was the imprisonment of Rev. Baker for tax evasion good or bad? It was probably precisely the wrong solution.

What about Capone? Well, what is the message we are sending to our people if we put someone in jail for tax evasion when we all know he is a murderer? Shouldn't we just get our act right in the first place? The imprisonment of Capone for tax evasion did material damage to our culture. It is not cute to put a known murderer away because he evaded taxes. It is a tragedy for our sense of right and wrong. Taxes are bad.

Another kind of tax is sales tax. Instead of taking money from the person making it, we take money from the person who is paying it. Now, in both cases, you have to remember that the government is manufacturing extra money for us to pay it. It is simply using sales tax as an alternative means of measuring the money it is paid based on marketplace activity. Many people argue that sales tax is not as bad as other kinds of tax because it puts the taxation at the point and time of the business transaction. This is most certainly true.

But sales tax is bad. First, sales tax is almost always a strange percentage like 6% or 7%. If something costs \$1, we have to take the time to figure out whether the guy is giving the proper change on \$1.07 for the five dollar bill. Most people don't check. This is more opportunity for fraud. With strange percentages, it is easy for somebody to say \$1.99

instead of \$2 because you know \$1.99 is no stranger than \$2.14. The cumulative effect of all of this cannot be good.

The biggest psychological problem with sales tax has to be selling things like cars, boats, and airplanes. The black market is the market the government cannot see. Who doubts that the government cannot see a lot of car, boat, and airplane selling? Who doubts that people are widely using their willingness to break the law to effectively make more money than the next guy. When the tax is \$1,400 on \$20,000, this isn't chicken feed. Or, maybe it is; maybe the gentry guy bought his chickens by selling his cars. Although he actually got \$20,000, he only told the state he got \$2,000. He saved about \$1,260 in sales tax and probably didn't get caught.

Both little and big, sales taxes are bad.

How about real estate tax? Here you just sit there and do nothing, tending your garden and watching the birds fly overhead, and you get a bill for it from the government. How many little old ladies are there out there that are run out of their homes because they can't afford to pay the local real estate tax? Running little old ladies out of their homes, or running the poor out of their homes, could be deemed good. The county folk might think good riddance. People who can't afford real estate tax also can't afford to pay to fix up their houses very much. But wouldn't it be better if they had the extra thousand dollars to put into their house?

Property tax is particularly evil for people who want to hold property but not make money off it. The Nature Conservancy had to come around with a special tax deal that essentially makes property untaxable by stopping development in perpetuity. This is pretty weird since it sets aside land for the tax advantage, not for the good purpose of setting aside land for future generations to appreciate. Again, our culture is given the wrong message. Is money really everything?

Personal property tax is worse than real estate tax because there are also often complex reporting requirements. It's like income tax, where you do not have the income. You can't just own a canoe for possible use. This is getting pretty close to the Popeye "up-to-no-good tax" and "ask-a-question tax."

Another kind of tax is designed in part for the social good and in part to pay the costs of social costs. Gasoline tax, cigarette tax, alcohol tax, and other excise taxes fit in this category. These, as can be seen by the United States balance sheets, do not account for a huge percentage of revenue but the revenue is significant in the aggregate. Should we also wish all these taxes should go away? These directly affect the cost of certain goods in order to minimize their use even if supply is high.

The answer is to do away with these taxes, too. Mixing categories is not good. These are taxes plain and simple and the money goes to the government and is printed by the government in order to go to the government. If the people decide that cigarette companies are causing monetary damage that the government has to subsidize, the solution is not to tax. We regularly require that drivers of cars maintain insurance in order to cover themselves. A simple law would force cigarette manufacturers to maintain liability insurance. Of course, we would have to get more rational about how we assign liability. Such all too sad and common situations as this can be managed by insurance companies. The government may provide the insurance companies with some protection to contain the liabilities, it may decree limits on liabilities as it does in many situations, or it may say that the harm is great and that the insurance will certainly drive every cigarette manufacturer's prices way up. Too bad.

Another major category of tax is import duties. The purpose of this tax is usually to provide some protection for domestic producers. This is not necessarily a bad thing, although efforts are clearly afoot to remove such artificial protections. To the extent that these taxes are in U.S. Currency, they would have to be removed completely as well. The Congress has other options. It can limit import volume. This has the effect of increasing

price or, at the very least, it directly reduces the internal ill-effect of the lower-priced good or service. Congress could also require special liability insurance that recognizes that money would have to be available in the United States currency system to pay for possible problems with imported goods.

A kind of tax not well known in the United States but in use in Europe is called “value added tax.” This taxes the sale of goods at each step in the value chain. In the U.S. a wholesale to retail or supplier to manufacturer is not taxed. In a value added tax system, these transactions are taxed. Value added taxes are called “VATs”. It has been estimated that VATs could replace all taxes and result in only a 5% tax across the board to raise all the money needed for U.S. operations. It could be handled completely in business-to-business transactions and would therefore eliminate the need for the IRS. This can’t really be true. When buying stuff in Europe, you may be paying 15-30% to the national government in VATs. Many companies exist that reclaim VATs for U.S. businesses that want those countries to rebate the tax because they are not, in essence, citizens. VATs, in the present view, are just another case of the system showing its insanity. On the positive side, the VAT analysis for the United States shows that the federal government can be supported on 5% per transaction if the transactions are not just personal income.

Yet another major category of tax are the “off book” taxes, like social security tax. There has been a general fiction that Social Security is separate from the general revenue, but it clearly operates like the general revenue. It should be regarded as tax plain and simple and it should be removed from our lives. The government has to manufacture the money, year to year, to cover the social security costs. It can use separate measures than it uses for other spending plans to gauge the amount of money the Government will manufacture for Social Security. Social Security payouts are exactly the same as any other purchase of goods and services by the United States Government. It makes some people rich. It keeps some people happy with money.

Medicare is like this, too. Medicare tax has no place. It may be useful to determine the amount of money manufactured against a different metric than is used for the general tax and even Social Security. Since the goods and services that are purchased by the government are specific and constrained, then the effect of manufacturing money can have a specific inflationary effect. Obviously this would not be desirable unless there is a shortage that compromises the grade of service. Then the government should go for creating the money needed to increase supply. In any event, one would think that in this case, and others like it, there would be a separate measure, perhaps directly against what the sellers of these goods and services are getting in the marketplace. The wonder of electronic money managed for No Taxes is that it provides the opportunity for this kind of precise control.

What about tolls? Get rid of them. Put a radio tag on every car and feed the information to the much more comprehensive taxation system that can get the potholes fixed anywhere they are likely to be causing problems.

Estate tax is certainly one of the most vilified taxes because the government is taxing a dead person. Taxing the dead. Hey. We do it.

Taxing the dead is supposed to serve a number of societal purposes. A major one is that it keeps people on their toes. Just because your father is rich, doesn't mean you don't have to work. But in practice it is yet another source of social distortion and distress. Everyone knows that if your father is very rich, he is going to take care of you through the many ways to sidestep the original intent. In some small ways, this probably works but the tax is abhorrent and should be stopped.

A more difficult societal purpose to argue against is that successive generations could build staggering wealth. The wealth of Bill Gates five generations down could be an appreciable fraction of the entire wealth of the country. In a world of No Taxes, the absence of estate tax could lead to staggering economic distortions. But, hey, don't we

have monopoly laws? Don't we break up the control of things that get too big and monolithic? This sounds like a much more straightforward law than a weird and silly tax. One way is simply to put an upper bound on wealth. With electronic money as the sole kind of money, the system could flag a need for a breakup based on a simple metric. But chances are this would create distortions with the wrong message, not unlike taxes. It may well be that the fear of concentrating wealth is actually not a problem at all. Wealth still wields great power, but the open press and laws against civil abuses tend to keep the power and wealth abuses at bay. We can expect disclosure laws and the like to help us.

A really interesting government strategy to help dissolve the problems associated with accumulated wealth would be to put a limit on money allowed to just sit. The government can require that the money be put to work even if that work is a U.S. Government Treasury bond or an interest bearing savings account. Currency in an electronic world can be detected if it is just sitting, unlike the currency that is stashed in the mattress.

Taxes are ugly no matter how you look at them. Even when they seem to serve a useful purpose, one wonders whether the useful purpose is really the right solution to the problem at hand. With a system for no-tax taxation, we will see that we will have the time and ability to explore all kinds of healthy and direct solutions to real problems. Taxes are about as weird a solution to getting the government money as can be imagined. The government prints the money to pay itself. Why involve the public in the problem that the government has? We let it print its money. We should put the responsibility on the government to spend what it prints in the right ways. The United States was supposed to be "we the people."

If you still think taxes are somehow beautiful, here is an abstract of your income tax deductions for the most recent year the IRS has it reported, 1997. By bringing back memories of last April, I hope to nail the case being made in this chapter. Paying taxes is bad and weird. In this year, about 800 billion dollars were paid in income taxes.

Income Tax Itemized Deductions in 1997	Number of Returns	Deducted Magic Stones (in thousands)	Percent Of Stones
Total itemized	36,624,595	\$ 620,810,172	100.0%
Total Taxes paid deduction	36,095,045	\$ 220,628,058	35.5%
State and local income taxes	30,819,670	\$ 136,964,632	22.1%
Real estate taxes	32,250,381	\$ 74,997,732	12.1%
Personal property taxes	17,393,550	\$ 7,154,492	1.2%
Other taxes	3,531,540	\$ 1,511,201	0.2%
Charitable contributions deduction	32,612,634	\$ 99,191,962	16.0%
Cash contributions	31,580,108	\$ 72,425,402	11.7%
Other than cash contributions	17,070,668	\$ 27,961,174	4.5%
Gambling loss deduction	561,189	\$ 5,124,908	0.8%
Casualty or theft loss deduction	105,413	\$ 1,063,586	0.2%
Medical and dental expenses deduction	5,256,149	\$ 29,283,622	4.7%
Total Interest paid deduction	30,790,485	\$ 250,599,197	40.4%
Total Home mortgage interest	30,435,796	\$ 235,970,212	38.0%
Mortgage Expense Paid to financial institutions	29,843,316	\$ 229,360,709	36.9%
Mortgage Expense Paid to individuals	1,976,158	\$ 6,609,503	1.1%
Deductible points	2,410,039	\$ 1,476,739	0.2%
Investment interest deduction	1,719,155	\$ 13,152,246	2.1%
Unreimbursed employee business expense	11,414,320	\$ 39,335,804	6.3%
Tax preparation fees	12,478,287	\$ 3,003,321	0.5%
Total Gross Adjusted Income	122,421,991	\$4,969,949,986	

Itemized as percent of Total Gross

30%

12%

You can note that about a third of the people itemize deductions and the deductions total about 12% of gross income. Of that, taxes paid to states and localities, and mortgage interest, account for the lions share of the deductions. It is interesting to note that U.S. charitable giving was nearly 100 billion dollars. In fact, because this is only for itemized deductions taken by about a third of all taxpayers, this 100 billion dollars is most certainly a low-ball estimate. Good work guys. But why should we have to keep those receipts? Such a nice thing to turn ugly.

IV

Progress

Printed money and coined money can be tightly owned. You can hold onto the money, look at it very carefully, caress it, and hold it in the air and drop it on your bedspread. You can hide some in your bedroom where you are certain nobody else can ever find it. You can burn it. You can beat the coin with a hammer. You can use a paper punch to put a hole in your penny. It's a wonderful feeling because this money is special, magic, stuff, and you can have complete control over it. It's yours. It can't talk back to you, and it can't call your mom if you eat it or draw on it.

But above all else, it seems to impress your friends. You go out on the curb with your father and you pour a few cups of Lemonade, and Uncle Dan shows up and gives you some money for a cup. The next day you show your friends your coins. You won't let them touch them. They're yours. Your friends are really, genuinely, impressed. They ask what you are going to buy now, now that you are rich.

"It is inconceivable that people will give up their toys. Even more damning for No Taxes, it will no longer be possible to give your kid money. At least, it won't seem like money to him. It just won't work. It won't be good. Go away with your No Tax proposal. You don't understand."

OK, try this as an experiment. Tell your teenager you are going to give him a credit card. Now try it on your eight year old. Now try it on a five year old. Watch what happens. The joy is beyond belief. Even the five year old knows this is a special magic thing. They know it will be theirs. They can look at it, put their name on it, and keep it in dark and secret places.

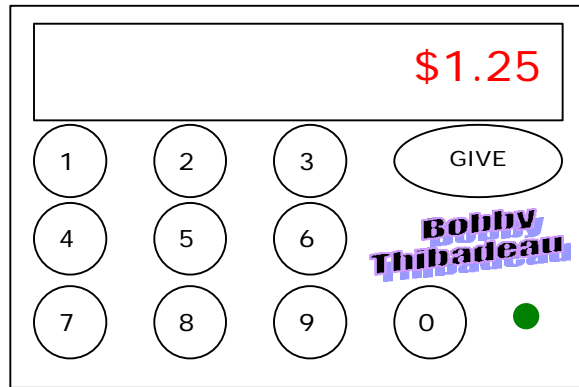
A credit card, with the little magnetic strip along the back, has become, quite nearly, our first widespread experience with electronic money. The most important thing the federal

government did in order to get credit cards in widespread use was to guarantee, by law, a fifty dollar liability limit if somebody stole your card and used your money. Make no mistake that the Congress passed a law to make your credit card worth something.

Of course a credit card isn't really money because you can spend more money off it than you actually have. Congress got a yellow streak up their back when the debit cards were first introduced. Debit cards only carry as much money as you actually have. But Congress did not guarantee that you would only be liable for the first \$50. You don't dare keep much of your money on your debit card. Somebody could steal it, use up your entire life savings, and it would be your fault. The money would be gone. You don't really own your money on a debit card. Nobody recognizes your ownership if you just lose your card for a few minutes or a few days. This situation with debit cards may be changing as the banks and government recognize their error, but the damage was done.

Progress requires that all kinds of subtle distinctions be made correctly, but credit cards prove progress into an electronic future can be made natural. Early automobiles could not look too different from carriages. They could not go too fast. They almost had to be as hard to take care of as the horse.

To have No Tax, we must do away with all printed and coined money. We can stay with our credit cards, debit cards, checks, and all kinds of similar things. We can still get loans, negotiate deals, complain we don't have the cash, and make somebody do something by promising to pay him some money. As a kid, my father can give me my money card and I can get Uncle Dan to give me some money. Here is my first money card:



Normally, the card just shows me how much money I have. I've noticed that my Mom just pointed her card at mine, the little green light went on, and I got a dollar twenty-five. Now, if I type in a "1" and "0" it shows up as \$.10, and I can press "GIVE" and Mom say's thanks. I look at my card and it says \$1.15. Oops. Mom says "don't lose that card Bobby, it's your money." Boy, I'm not going to lose this card.

My friends got cards too. Some don't look like mine. But mine looks cooler than theirs. I like mine better. We go off into the woods and buy things between us. I get rich. I show up that night with \$6.12 on my money card. Mom gets mad and asks me what happened.

I notice that my older sister laughs at me and shows me her earring. She says that this is one of her money cards. I tell her that's not possible. She says, OK, give me ten cents. I type in "1" and "0" and point my card at her face. I hear a little "beep" coming from the earring, and she says, "Press the give button, now, Bobby." I press it and I hear a little "boop." She says, "got it, thanks." I say "give it back." She says, "can't, you dumb kid."

She goes back to her room, reaches into her bed for one of her money cards and looks at it. It's now ten cents richer. "Dumb brother," she thinks. She could have walked over to

the wall unit and the earring would have registered with it. From there she could have given him back his ten cents. But he didn't know that. "Dumb brother."

Later that day when she walked past the wall unit to go to supper, her earring made a little silent communication and, within a second, the federal government registered a transaction of ten cents between two minors. The government now had \$.0008 more money in its coffers. The government made over \$10,000,000 a day off these child games. About 95% was distributed to the local government since, it was reasoned, taxation on monetary transactions among children really belong to the local governments for children's services, like school. Neither Bobby nor his sister, nor his parents, ever knew or cared about this. They don't pay taxes.

Most people go on as they have gone on before. Credit cards and debit cards suffice for most everything. Companies do direct deposits for salaries and bonuses. Corporate payments are all electronic with the usual panoply of payment systems. The only difference is that nobody pays taxes.

Some old curmudgeons, and some very rich people, demand to pay cash. We give them paper bills and coins with little computers built into them. Whoever is in possession of these cash cards gets to deposit the amounts into whatever electronic locations they care to deposit the amounts into. However, once the money is moved from the bill or coin into the system, it is registered as a transaction for the new owner. It is also figured that the last owner was the "seller." A bit of noise like this is tolerated by the system.

This same kind of noise, really just some time delays associated with centrally recognizing electronic commerce, is what happened with sister's earring. The earring could carry a transaction for a little while until sister walked past one of the links to the Internet. Similarly, the card that Bobby had to use money was money that was taken out of the system, for a period of time, in order to facilitate ease of payment.

V

Deep Study

The President reads this book. He has a great idea. He powwows with his top advisors who tell him that the present book writer was not a complete idiot despite what people were saying about him. It's true he had all his facts wrong, and his way of getting us No Taxes it is all wet, but the Executive Branch could make this no-tax thing happen just fine. Two months later the President announces at his State of the Union Address that the United States will commit to No Taxes within ten years, before the end of 2010.

“This will be a Herculean effort at all levels of government from the Federal Government to the States, Counties, and our great Cities and Towns. We have many problems to solve in this next decade to eliminate all taxes, but we can meet this challenge as we have met Herculean challenges of the past. The result will be a government with more money to spend for the general welfare, and a satisfied populace with No Taxes.

“I have, today, signed an executive order creating the independent National Taxation Agency that will coordinate the efforts of our best minds, our governments, our people, to the task. The Agency will develop the plan that will remove all taxes. The NTA can't be the U.S. Treasury because it has to negotiate with treasuries of all taxation bodies in the United States. Also, the U.S. Treasury is doing its present job very well and should not be put upon to undertake such a major transition except in coordination managed by a separate body. Income taxes, sales taxes, duties, excise taxes, real estate taxes, and, yes, even unemployment tax and social security tax will all be eliminated completely. This will not be an easy transition, but it will be a better future for all. I invite other countries to make a similar commitment, and we pledge to work with you, sharing our knowledge and our vision.”

The NTA forms and now begins to assemble the experts from all walks of life necessary to examine all the issues in detail and to develop a master plan. The President directs that the NTA will have a number of go no-go decision points at 2, 4 and 6 years. Based on its findings, the NTA can recommend scraping the idea, extending the change-over date, or, perhaps, even accelerating the change-over. It will almost certainly decide to test the systems being constructed to support the new electronic monetary system in small areas. It chooses Nebraska and then Phoenix for local trials. These locations will suffer a mix of electronic money and conventional money but people will be free to explore. Both places wanted to be test sites because it would give their businesses some advantage of experience going forward into the future. The government just figures it is going to lose some tax revenue in these tests, but it can estimate what money to manufacture for itself based on recent historical data that it will collect.

Accounting and Economic teams are assembled to work out how they wish to measure economic transactions and how they wish to create money for the governments in response. A first goal is to precisely mimic existing tax policies. The result should be a more efficient monitoring than is possible with yearly taxes, or even sales taxes. In effect, the government should most certainly see more revenue. But the objective is not to see more revenue, at least at first. This is because more revenue can alter the balance of inflation and deflation. Rather, they will seek to find the taxation percentages that give the same revenue. These percentages should be smaller than the vastly less efficient, taxpayer mediated, systems.

Later as the experiments get legs, the economists can come in to see if they can get better measures to predict governmental effects of spending. The government may be directed to issue purchase orders for certain goods and services in order to spread the supply-demand curves flatter. They may discover new measures of economic vitality that would mask the government parasite better, and thereby permit even greater government spending. For the last few thousand years, our taxation experiments have come at great

pain, often joined with war, and therefore at a very slow pace. They were also limited to measures that all the people could participate in. Such measures as excise, sales, or income measures are used initially. These measures may turn out to be precisely the wrong measures or be very poor measures to mask government spending. Clearly, the last one hundred years have shown that income is a good measure. We can collect a lot more tax and get away with it, if we use income. But perhaps there are far superior measures. The taxpayer mediation step makes their discovery difficult.

Since companies can no longer complain with their strong financial might against being singled out for taxes, we may find that corporate buying is a much better measure on which to compute the taxation percentages. Such buying is clearly centered on the supply-demand curve in a very timely way. It is much more sensitive than income levels particularly if you know what is being bought. Who knows? It might be the case that the government can print twice as much money for itself as it can get away with today.

The current role of the Federal Reserve, to set interest rates, would not go away. The present book only addresses getting rid of one bane of mankind, taxes. It doesn't talk to the problem of getting rid of the other major bane, debt. Debt also has a solution in electronic money that might be very interesting, but I will leave this as an exercise for the reader.

The Federal Reserve and the NTA have to negotiate a strategy since the NTA will be able to exert considerable control over inflation and deflation. The relationship is between the direct NTA-style controls over supply and demand, and the traditional Federal Reserve controls over the cost of money. The routine NTA taxation management will probably ultimately be made part of the Federal Reserve. Day to day, month to month, the relationship between real-time taxation and interest rates will be complicated. But that's what economists are for, right?

The NTA has to study the needs for many diverse actions. There are technical issues that not only require technical solutions, but they also require investment decisions and political decisions as well. For example, the credit card infrastructure needs to come to grips with the risk management associated with payments through the electronic money system. Presumably if you are using a credit card you have the ability to cause payment when you desire. But should the credit card system be given access to information about a person's accounts? Assuming this should be limited, can a person nevertheless just cause automatic payment monthly from one of his accounts? Should taxation estimates occur the moment the money transfers or when the purchase is actually made on credit? Since credit is an artificial source of money, it may not be as accurate a measure of commerce. Should checking accounts be directly tied to the electronic money accounts or are checking accounts a way to cause money to pause outside the system?

What laws need to be changed to support the new electronic economy? Clearly sweeping changes will occur when a person no longer has reporting responsibilities. But there are ways to circumvent the system. A company, for example, can fabricate meaningless accounts. People may be paid from accounts that the NTA cannot categorize. What should the NTA do with such situations? What kind of penalty should be imposed for using old cash or foreign cash for a transaction? How do we manage the black market in a legal sense? There has to also be a series of laws that stagger the process of development of No Taxes. The NTA would have to provide a solid roadmap which it recommends to Congress, and which the Congressional Budget Office, the Commerce Department, and the U.S. Treasury Department, and other stakeholders, can approve.

The NTA also has to supervise the licensing and distribution of the technology necessary to drive the infrastructure. This is akin to an FDA, and FTC, or an FCC for money. Indeed the NTA may ultimately become such an authority. How does the government certify the devices that have access to the electronic funds? Clearly most devices will be manufactured by private concerns. What insures the public that the devices meet "NTA Approval" as devices that can be trusted with electronic money. Should there be

different levels of approval that award different levels of confidence for increasingly large sums of money? For example, today we have PIN (personal identification number) access which is typically four digits. We also have smart cards that require a unique, non-counterfeitable, card and also a PIN to use. Obviously this two-factor authentication is stronger than just a PIN alone as a means of insuring the right to move money. Should the NTA issue recommendations meant to help protect the monetary system as a whole?

The NTA must do many other things. For every recommendation and action it takes with respect to national policy, it must chart the individual waters for state and local policy. It must be able to show the local governments, largely by involving them in the decision process, how they will retain their revenue streams despite the loss of all taxes. One method may be to create shadow accounts in all the state and local treasuries that can expose the transactions for individual state and local audits. This is similar, in spirit at least, to the cooperation that exists on the federal, state, and local level today.

Property tax accounts for about 75% of local taxes. A big problem for the NTA will be removing all property tax. This is because the federal government is not involved in property tax and property value is clearly not managed centrally. All of the records maintained in locales are, of course, public records. There is no reason in principle that property tax cannot be compensated in the No Tax system, but there is much missing data. Just to show the federal government already pays local property taxes: they are called “Payments in Lieu of Taxes” or PILTs (in fed-ese). Here is the record of PILTs for some places in Alaska for the last few years.

County	1997	1998	1999
Kodiak Island Borough	\$433,504	\$437,084	\$448,310
Lake And Peninsula Borough	\$82,541	\$85,973	\$88,567
Matanuska-Susitna Borough	\$973,103	\$969,243	\$997,239
Municipality of Anchorage	\$276,426	\$246,358	\$254,904
Nome	\$234,717	\$331,198	\$342,717

North Slope Borough	\$300,180	\$297,381	\$307,820
Northwest Artic Borough	\$300,180	\$297,381	\$307,820

There are 3066 Counties in the United States
and over 6000 local taxing districts.

The NTA will have its work cut out for it dealing with property tax. The personal property tax reported to IRS as deductions in 1997 was a mere 7 billion dollars, the real estate taxes were about 74 billion. This was when gross income was five trillion dollars and total income tax revenue was about 800 billion. By the way, the state and local income tax that year was about 136 billion. As a hint that substituting out property tax for measures of income is possible, here is what happened in Illinois:

“The Illinois Constitution of 1970 required the abolition by January 1, 1979, of personal property tax in Illinois. To replace the revenue from this tax, the General Assembly enacted replacement taxes on income and invested capital. The department certifies each taxing district’s share of the replacement revenues. Approximately 6,600 taxing districts receive payments eight times per year.”

It would certainly be nice to have better data on the aggregate property and real estate taxes in the United States. The NTA, whose charge is to eliminate all taxes, needs the proper reporting legislated for it. It is in understanding the totality of needs for government financing that No Taxes can become a reality.

VI

2076

It's July 3, 2076. One day before the United States marks its 300th anniversary. It's been years since taxes were completely eliminated from daily life. Jennifer tells her husband to stop worrying about getting a car.

"Jim, you really can't afford not to get us the self-driving one. I've got to drive all over creation taking the kids to this and that. If I don't have a self-driving one, I won't get my work done for the Internal Revenue Service. You know, they pay me a near fortune to invent these microeconomic simulations."

"What do you mean? You can drive and think, can't you?" Jim was in no mood thinking about the extra \$5,000.

"Not really, Jim. You work at home. You have no idea what it's like. I probably spend hours a week just sitting in the car, sitting in traffic, and getting frustrated. I can't work when I have to pay attention to what is going on around me."

"OK. Self-driving. Fine." On Jim's salary of \$30,000 a month, an extra \$5,000 was actually reasonable. There was no way he was even going to think about using any of Jennifer's \$40,000 a month take home. He didn't drive much because he worked at home, but this would make vacations and other outings more pleasant.

That afternoon Jim and Jennifer drove to the local Saturn dealer and spent \$75,000 on a car. They agreed to a four year pay plan that incorporated a 20% per year aggregate cost-of-money rate. The price of \$3,500 per month would be automatically deducted from Jim's pay every month. Neither Jim nor Jennifer had to care that part of this money was being recognized by the government in its planning. Jennifer knew more about this than

Jim would ever know: her specialty area was the microeconomics of personal transportation.

On the way home, they stopped at a grocery store. The stores for over a dozen years had walk-in walk-out service. This meant that all you did was pick up what you wanted to have, put the stuff directly in your shopping bag, and walk directly out of the store. The items would be purchased the moment you exited the store. If you cared to look, you could take out your money card and it would show the total amount for the groceries you had in your possession and the amount of money remaining in your account. The shopping bags themselves had computers in them. Credit card vendors let you see the contents of your purchases on your smart credit cards as well. Even here, on groceries, the government was recognizing revenue but there was no line-item for taxes.

“Jim, did you see that proposal on church contributions?”

“What are you talking about?”

Jennifer continued, “Well, I heard that the Internal Revenue Service non-profit division has decided that church contributions should be measured in order to create government funds. Basically the church is going to get a dollar if we give them a dollar, but the government is going to give itself a dime. They are convinced that money going to churches really decreases aggregate demand enough to justify it. Churches and the government just don’t buy the same stuff.”

“Yea, the government reaches for every dime it can get. What about food? I wonder how good those guys in Washington really are sometimes.”

“Jim, you are always on their case.”

Jim needed to correct his wife if only to keep her informed of how the regular people thought. “Of course I’m on their case. One mistake and inflation really goes through the roof. I hope they watch this through to church purchases. They shouldn’t credit the money unless it is paying lower than average prices for goods and services for the churches.”

“I’m sure they’re watching, Jim. Gee, tomorrow is the IRS Fourth of July bash. We can have our car drive us there!”

“When is it, again?”

“We can leave here about six. I’ve got Kelly coming down to babysit the kids. She’ll have a couple of high school friends with her, but we’ll have them on our web cam and she’s OK with that.”

The next morning Jim woke up to his job. He always woke up at about 4AM to put in a couple of hours before the rest of the family woke up. He was a certified manufacturing engineer. The Society of Manufacturing Engineers would certify every communication by him with his customers on the Internet. This way his customers would know that they could trust him, that his billings were monitored for fairness, and that his work was widely regarded as more than acceptable. This certification level for the Society was restricted for the very best. With this, Jim almost never had to meet his customers. He almost never had to travel just to build customer relations.

His job was the design and fabrication of special manufacturing equipment for stamping small metal parts. He would only deal with suppliers and customers who had similar levels of certification. This would guarantee that he would be paid on time, that he could guarantee payments on time, and that the people were serious about their responsibilities. Without this feature of the Internet, business did not take off. With it, Jim could concentrate on what he knew and loved: the design of machinery. His interactions with

others tended to be collaborative work teams who were solving real engineering problems and exchanging data of real importance to the problems of building exceptional stamping machines.

At breakfast time, Jim showed up out of the study. “Jen, can you tell me what the car companies spend on small stampings?”

“Sure, in the U.S. about \$350 million last year.”

“Thanks. Any idea about stainless steel?”

“Not a clue. We don’t ask the question.”

“OK.” While anybody could go on the web and find out this fact, it was nice to have a wife who could just tell you the authoritative answer.

The sky overhead roared to life. A whole squadron of jets, flying a low altitude, roared over.

“I guess it’s the fourth!” Jim, smiled. He turned on the television set in the breakfast room.

It was the Speaker of the House of Representatives. “Today, the United States celebrates a very significant birthday. We started this great experiment seeking freedom from the oppression of foreign taxes. Today, we have achieved an even greater achievement, freedom from the oppression of domestic taxes. I can announce that this year we will be able to fund the entire government by careful monetary management without recourse to any money ratios.” He was referring to the fact that the government had long had policies of dividing down electronic money in some transactions. This had begun with withholding tax at the end of the last century: employers would direct deposit only the

after tax amount into people's accounts. For many years, this taxation was automatic. Now, it had disappeared.

“Today, we have no tax. Our freedoms are still in place. We have a lot to be thankful for. We now must think ahead to our century. The world is still a dangerous place. Our missions in space have created great new Internet businesses, but our colonies are now clamoring for independence from our economic systems. We have profound problems dealing with a social security system that never expected people to live for two hundred years.”

Jim turned off the TV. “Let's go for a bike ride with the kids.”

“Great!” Jennifer was thrilled.

VII

Is it you?

The government should only know what it needs to know. There are some people who believe that privacy is a right that people have. This is probably not really true. But we do know that if the government knows too much about you they can, and do, use that information in ways you may not desire them to use it.

A key element of getting rid of taxes is the concept that money can be transacted anonymously. Cash has the wonderful property that you can't tell who last held it or where it came from. It also doesn't point directly to some place that it is going. Most people find this property of cash very convenient. It is not that you don't want everybody knowing you just bought an issue of Playboy Magazine. It may be that you don't want anybody knowing that you are giving to the local Monastery. It may be that you don't want anybody knowing that you really own that airplane.

It turns out that electronic anonymity can be perfect. The idea is very simple. You can own a right to buy something. So, when the opportunity comes to buy it, you just show your right to buy it. The system takes care of moving the money from your account to the other guy's account. But he doesn't know who it is that just bought the thing. He only knows that you were able to do it.

For the system of taxation without taxes to work, the government must participate. Some people have suggested that companies can guarantee your anonymity and companies can do all the work. They probably can't be as trusted as the government, if the government can be made to agree to a few things. The government has to agree to be the ultimate banker. This they already do.

Here is one way the system can work. There are two institutions of the government. Let's call one of the institutions your rights maker and the other institution, your money

keeper. We sort of have these already in the Social Security Administration and the Federal Reserve. By law, only you can exchange data between your rights maker and your money keeper. These two institutions are oil and water: like, for example, the Navy and Air Force, the President and the Congress, or the Secret Service and the Bureau of Engraving.

The money keeper is easier to understand so we'll talk about it. The money keeper keeps accounts that only have crypto-certificate access. This can be done with what is called public and private key technology. September 21, 2000, this technology loses its patent protection and can be used freely by anyone.

The way it works is this: There are two keys: one can lock a secret up and the other can unlock a secret. If you lock up a secret, then only the unlock key can unlock it. Nobody on the planet has been able to break these locks. Even if they do break the locks using the technology whose technology expires on September 21 (and most people think this is very unlikely), we now have alternatives. It is kind of like finding a substitute for Freon. Freon was really nice for refrigeration, but when we found that Freon was a bad idea, we had other refrigerants that we could, with some fits and starts, make work. We have a similar situation with public and private key technology.

The biggest thing to understand about these keys is that they become very useful if we let one of the two keys be private and the other one be public. If we let the locking key be private and the unlock key be public, then we get one useful set of functions. If we let the locking key be public and the unlock key be private then we get another useful set of functions. Public-private key technology is the how-to book around this simple idea. You go a door and lock it with one key, and it takes a different key to unlock it. If the locking key is public then anybody can put something in the closet for you but only you can see what they put in. If the locking key is private then only you can put something in the closet but everybody can see what you put there.

In geek-speak, with my private key I can encode a message that only my public key can disclose. This means that as long as I keep my private key a secret, known only to me, then I can prove that the message came from me. The message can be something like “Bank Account 9932 Open Sesame! Today is 5/20/00 at 9 AM.” If our national bank keeps this account and the associated public key for it, it can know for certain that whoever owns the account has now gained access to the account to put money in or take it out. Interestingly, the bank need not know who the person is who owns the private key. It need only know that the authentic owner of the account now has access to it. Ultimately all these accounts exist in the Federal Reserve so that economic activity can be meticulously and continuously monitored, but you may deal with your local bank to keep you informed about your money, and to pay interest on money that is just sitting there in that account.

A single person, company, or organization, can have many of these accounts. This is where the other agency comes in. They are the ones that issue the public-private key pairs, and stamp the keys with their legal issuance. You go to this agency and say you want five accounts. They take some information about you making sure, perhaps, that they know your social security number for the purposes of making sure you are going to get credited for social security. If you are a company, they may want you have accounts they can label for what you sell, buy, the salaries you pay, and what not. This agency knows who you are, but they are not permitted to know the money that you are keeping in your accounts! If we have the secret service or one of our other more serious hawks watching to make sure the Federal Reserve doesn't talk to the Social Security Administration, and vice versa, everything is cool.

Now, it always takes exactly two accounts to tango. Money goes from one account to the other account. This can happen in one of two ways. If you own both accounts, you can move the money and you don't need another person to do it. The ring on your finger, the smart card in your wallet, or the phone you keep with you, let's you do this very easily.

If you want to buy or sell something, then you and your seller or buyer point the devices at each other, press the right buttons, and you're done.

So, let's say you are the buyer. On your calculator-looking card, you push the account button, select your account, then push the buy button, and put in the amount of money and finally push the button to send it out to the seller. The seller's ring receives the amount, stores it and says thank you to your card. Your card says you're welcome. The seller walks through the door of his house and all the sales and buys he has made today are communicated up to the Internet and registered in the Federal Reserve. But all the Federal Reserve knows is that certain wallets that had the right amounts of money and a few economically interesting characteristics, and these were used in transferring the money about.

Let's say you bought a radio from a friend. The Federal Reserve only knows that inside of a certain town, someone bought some a radio for a certain amount of money. The Federal Reserve transfers the transaction to the Social Security Administration who promptly determines that your friend and you have engaged in commerce, and the amount of the transaction. However, the Social Security Administration is not permitted to tell the Fed who these people are. The Fed is not permitted to tell the Social Security Administration how much money you have in your account and the Social Security administration is not permitted to guess, either.

Let's say, now, that a new Hitler takes over the United States Government. He secretly starts putting two and two together to figure out who has what money in what accounts. Is it hopeless?

Nope. Let's change the deal a bit. Your ring, your card, or your phone can generate its own private-public key pairs. At minimum, you get two pairs. One is a private-encode and public-decode pair and the other is a private-decode public-encode pair. Now, when you go to the Social Security Administration you do not give them your private key, just

your public-decode key. This lets them unlock the fact that it is you and the amount of money in your account. They cannot change this amount because they lack the ability to encode a new amount.

The Federal Reserve gets the public-encode key but they don't know it's you. They also don't have a way to know how much money is in the account. Only you, however, have access to your account.

To move money into your account you private-decode your account from a message from the Federal Reserve. This insures that this is your account and nobody else's. Then you private-encode the change to your account, and send this message back.

Now, nobody in the government can fake your authority. One group can know it's you and how much money you have, and the other group keeps your money and is the sole authority for letting you engage in transactions. This is slightly better than it is today since right now both groups can know it's you and they can get to your money (as we have seen with Social Security).

There is one more thing. When your ring or card computes the change to your account and encrypts it, it also sends a side message to the Federal Reserve regarding the amount of the transaction. It is probable your ring should also know whether it is in Atlanta or Cincinnati. It can use the Federal Reserve public-encode key so only the Federal Reserve can read this message. Accountants in the Internal Revenue Service get these anonymous summaries of the transactions as they are occurring real-time. They now adjust the recommended amounts of money for the government to create for itself.

So, what keeps you from confusing your accounts? If you are a company, good sense and probably a law or two that we would have to invent about proper corporate accounting to the government. Recall we had to get rid of most of the tax laws already because they were reporting laws, not laws about how electronic accounts had to be set

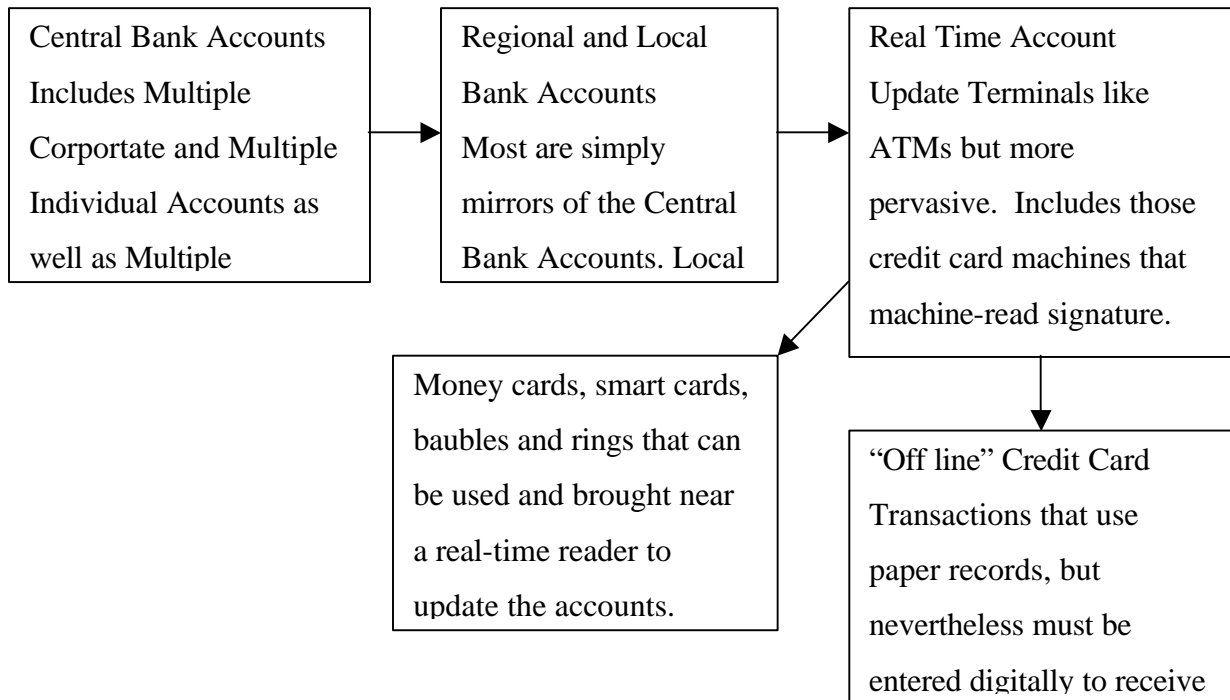
up. Companies need to keep their inventories and their accounts separated just to keep track of their own monies.

If you are a person, you could just have one account. You might keep a few just to keep people from figuring out it's you through telltale signs. Another reason to have several accounts is to keep you from accidentally spending more money than you might want, or making sure your son, daughter, wife, or husband is properly reigned in.

The government won't care: it's a person buying something or selling something or a company in a certain business with a certain account buying and selling.

Another interesting thing in all of this is that you can now buy stuff on the Internet in a completely anonymous way. The vendor can know that this account is buying something and that it successfully buys stuff, but it cannot know whom the person is at the other end. This shouldn't hurt the vendor much except with people that maintain large numbers of personal accounts. Most people won't do that. However, you may have a credit-card account maintained by VISA or Amex. This would insure credit that you would have to transfer. In the present case, it is possible that you could establish a credit account with VISA or Amex not being able to know its you. The Government, however, can know it's you. It's hard to get information out of Social Security but the right court action can do it.

So here is a little taxonomy of components of the new monetary system. Notice that, while we still have plastic, the bills and coins have vanished silently away:



Our existing infrastructure constitutes a convincing proof of concept that the No Tax infrastructure could be constructed. Our central, regional, and local banks exist and exchange monetary data in secure ways already. ATM machines and many other devices illustrate real-time account access that has been made to work. Off-line credit card transactions obviously work. Many companies maintain literally hundreds of millions of transaction accounts. For example, the telephone companies maintain literally hundreds of millions of accounts.

Missing in the obvious proofs of concept are the millions of accounts that the central bank would have to maintain. This is not a technical hurdle as much as a major socio-political hurdle. It may be possible to have the accounts distributed, as they are today, in the banks, yet maintain the kind of control that would have to be maintained in securing information flow to the central bank. In seeking to maintain a good understanding of the need to tighten and loosen interests in anticipation of possible inflation and deflation, the

Federal Reserve, in a quiet but quite effective way, has already built a lot of this infrastructure.

Another missing technical element in a proof of concept is a device that can be separated from the network yet engage in valid monetary transfers. For such devices there needs to be a mechanism for insuring against a simultaneous draw of the same money from an account or putting money into an account twice. This is a problem if two devices are not connected to the network.

One solution is to have a disconnected device just able to receive a payment. Such a device was illustrated in an earlier episode as an earring worn by a teenager. It is probably always safe to receive a payment as long as the device sending has the authority to send the payment. Such authority can be guaranteed through variations on the public-private key system just described.

If a device is disconnected from the Internet then it can have an electronic wallet for digital money that is transferred before it is disconnected. This is equivalent to loading the device with money and then taking the money with you to spend. We clearly already have another alternative in place: the credit card. This is a card that insures the money will be paid later.

A final technique is to create something we can call an utterly unique token. This is a token that absolutely guarantees the account cannot be used until you hook the device back up to the Internet. In the computer world, this well known technique is called a semaphore. The account is locked as non-expendable until the right authority, your money card, unlocks it. This allows spending to the total number of magic stones in the account without being connected to the Internet and without actually loading the money in the card.

The problems of authenticating that a person is who he says he is and that he has the authority he says he has is always present. With cash, it doesn't matter. Cash is cash. Similar money cards can be built that load cash that behaves like cash. It is just plain good no matter who has it. The person can pay in a totally anonymous way. Such cards would work no matter who possessed them, so it would be wise to watch your cash cards if you choose to have any at all. The advantage to the No Tax system is that the commerce can be registered and the appropriate action automatically taken.

VIII

Where's your Money?

Your money is digital already. What follows are some of the key economic measures that drive our understanding of taxes. I have made the pages somewhat easier to understand, and regret that I cannot show that 9,256.1 is really 9,256,100,000,000, and that the rounding error is fifty million dollars.

Relation of Gross Domestic Product
Gross National Product
National Income
[Billions of magic stones]

	Seasonally adjusted at annual rates		
	1997	1998	1999
Gross domestic product.....	8,300.8	8,759.9	9,256.1
Plus: Income receipts from the rest of the world.....	282.6	285.3	302.3
Less: Income payments to the rest of the world.....	278.4	295.2	322.3
Equals: Gross national product.....	8,305.0	8,750.0	9,236.2
Less: Consumption of fixed capital.....	1,009.1	1,064.6	1,135.8
Less: Indirect business tax and nontax liability.....	645.8	677.0	716.3
Less: Business transfer payments.....	36.9	38.1	39.4
Less: Statistical discrepancy.....	-3.2	-47.6	-125.1
Plus: Subsidies less current surplus of government enterprises.....	19.0	20.8	26.5
Equals: National income.....	6,635.5	7,038.8	7,496.3
Compensation of employees.....	4,675.7	5,011.2	5,331.7
Wage and salary accruals.....	3,884.7	4,189.5	4,472.3
Supplements to wages and salaries.....	791.0	821.7	859.4
Proprietors' income with inventory valuation and capital consumption adjustments.....	578.6	606.1	658.5
Rental income of persons with			

capital consumption adjustment.....	130.2	137.4	145.9
Corporate profits with inventory valuation and capital consumption adjustments.....	838.5	848.4	892.7
Net interest.....	412.5	435.7	467.5
Addendum:			
Gross domestic income.....	8,303.9	8,807.5	9,381.3

The next table shows why our government loves income taxes. Income is the biggest number they can tax. Taxing income, the government can get more money. In recent years the government has written long reports about this, but it is pretty easy to see.

Another major thing to notice in this table is that we save very little money. There is very little money just sitting and waiting for something to happen in our economy. The money is in constant motion. This is why the government wants to target transactions for taxes, not magic stones sitting around in property and savings.

Lastly, in looking over these numbers, remember in 1999, the government revenue number was about 1,750 billion magic stones.

Personal Income and Its Disposition
[Billions of magic stones]

	1997	1998	1999
	Seasonally adjusted at annual rates		
Personal income	6,951.1	7,358.9	7,791.8
Wage and salary disbursements.....	3,888.9	4,186.0	4,472.3
Other labor income.....	500.9	515.7	535.8
Proprietors' income with			
inventory valuation and capital			
consumption adjustments.....	578.6	606.1	658.5
Farm.....	29.5	25.1	31.3
Nonfarm.....	549.1	581.0	627.3
Rental income of persons with			
capital consumption adjustment.....	130.2	137.4	145.9
Personal dividend income.....	333.4	348.3	364.3
Personal interest income.....	854.9	897.8	931.3
Transfer payments to persons.....	962.4	983.6	1,018.2
Less: Personal contributions for			
social insurance.....	298.1	315.9	334.6
Less: Personal tax and nontax payments.....	968.3	1,072.6	1,152.1

Equals: Disposable personal income.....	5,982.8	6,286.2	6,639.7
Less: Personal outlays.....	5,711.7	6,056.6	6,483.3
Equals: Personal saving.....	271.1	229.7	156.3
Addenda:			
Disposable personal income,			
billions of chained (1996) dollars\2\...	5,866.7	6,107.1	6,349.4
Personal saving as a percentage of			
disposable personal income.....	4.5	3.7	2.4

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1. Personal income is also equal to national income less corporate profits with inventory valuation and capital consumption adjustments, net interest, contributions for social insurance, and wage accruals less disbursements, plus personal interest income, personal dividend income, government transfer payments to persons, and business transfer payments to persons.

2. Equals disposable personal income deflated by the implicit price deflator for personal consumption expenditures.

Corporate profits are an interesting number because they are so small. Corporate profits don't even top a trillion dollars. If you have a 1.75 trillion dollar appetite, this is a pretty poor place to look. It's nice to see, however, that our corporations net over 10% on the gross national product in pure profit. They also seem to pay tax, and the tax just about exactly covers the interest payment on the national debt.

Corporate Profits

Billions of Magic Stones	1997	1998	1999
Corporate profits with inventory valuation and capital consumption adjustments.....	838.5	848.4	892.7
Profits before tax.....	795.9	781.9	848.5
Profits tax liability.....	238.3	240.2	259.4
Profits after tax.....	557.6	541.7	589.1
Dividends.....	333.7	348.6	364.7
Undistributed profits.....	223.9	193.1	224.4
Inventory valuation adjustment.....	7.4	20.9	-13.0
Capital consumption adjustment.....	35.3	45.6	57.2
Addenda:			
Corporate profits after tax with inventory valuation and capital consumption adjustments.....	600.2	608.2	633.3
Net cash flow with inventory valuation and capital consumption adjustments.....	845.3	876.5	929.7
Undistributed profits with inventory valuation and capital consumption adjustments.....	266.6	259.6	268.6

Consumption of fixed capital.....	578.8	616.9	661.1
Less: Inventory valuation adjustment.....	7.4	20.9	-13.0
Equals: Net cash flow.....	838.0	855.5	942.7

The corporate profits by industry is interesting from a tax perspective because it gives us a look at how economists divide up industries. Also, here you can see retail and wholesale trade profits.

Corporate Profits by Industry
[Billions of dollars]

Seasonally adjusted at annual rates			
	1997	1998	1999
Corporate profits	838.5	848.4	892.7
Domestic industries.....	730.4	748.4	789.4
Financial.....	167.3	171.7	186.6
Nonfinancial.....	563.1	576.7	602.8
Rest of the world.....	108.1	100.0	103.3
Receipts from the rest of the world.....	159.7	148.4	166.2
Less: Payments to the rest of the world....	51.6	48.4	62.8
Corporate profits with IVA.....	803.2	802.8	835.6
Domestic industries.....	695.1	702.8	732.2
Financial.....	184.2	191.3	208.1
Federal Reserve banks.....	23.3	24.6	25.6
Other.....	160.9	166.7	182.5
Nonfinancial.....	510.9	511.5	524.2
Manufacturing.....	185.6	168.4	165.6
Durable goods.....	93.3	95.1	98.6
Primary metal industries.....	5.1	5.4	.9
Fabricated metal products.....	16.7	17.3	18.9
Industrial machinery and equipment...	13.5	14.6	17.9
Electronic and other electric equipment.....	22.1	18.2	20.7
Motor vehicles and equipment.....	4.9	7.5	10.2
Other.....	30.9	32.2	30.1
Nondurable goods.....	92.3	73.3	66.9

Food and kindred products.....	22.1	17.0	16.0
Chemicals and allied products.....	26.0	20.6	19.9
Petroleum and coal products.....	16.0	8.3	1.5
Other.....	28.2	27.3	29.6
Transportation and public utilities.....	104.7	109.0	116.3
Transportation.....	18.5	19.4	18.1
Communications.....	47.4	49.3	55.4
Electric, gas, and sanitary services...	38.8	40.2	42.7
Wholesale trade.....	46.8	47.2	42.4
Retail trade.....	63.7	69.8	72.9
Other.....	110.1	117.1	127.1
Rest of the world.....	108.1	100.0	103.3

Finally, here is the summary of nonfinancial business. Doing a little bit of subtraction, you will find that the gross product of our financial corporate industry would readily cover all taxes – all the government needs to operate. Consolidation anyone? This, of course, is a deep secret that we don't want to talk about. It bears study by the NTA of a previous episode.

Gross Product of Nonfinancial Corporate Business

	1997	1998	1999
Billions of magic stones			
Gross product of nonfinancial corporate business.....	4,464.4	4,766.4	5,072.5
Consumption of fixed capital.....	490.9	520.6	554.7
Net product.....	3,973.5	4,245.9	4,517.8
Indirect business tax and nontax liability plus business transfer payments less subsidies.....	430.7	455.3	484.4
Domestic income.....	3,542.8	3,790.6	4,033.4
Compensation of employees.....	2,860.1	3,090.4	3,298.7
Wage and salary accruals.....	2,408.4	2,618.7	2,805.2
Supplements to wages and salaries....	451.7	471.7	493.5
Corporate profits	563.1	576.7	602.8
Profits before tax.....	503.6	490.6	537.1
Profits tax liability.....	158.8	152.5	167.6
Profits after tax.....	344.7	338.1	369.6
Dividends.....	219.8	245.4	259.7
Undistributed profits.....	124.9	92.7	109.9
Inventory valuation adjustment.....	7.4	20.9	-13.0
Capital consumption adjustment.....	52.2	65.2	78.6
Net interest.....	119.6	123.5	131.9

IX

Privacy

To a computer you are just a bundle of bits of information. With millions of computers interacting with millions of people, there are trillions of you. A million million is a trillion: 1,000,000,000,000. You've seen a number this big before. It is the number of magic stones we routinely work in nowadays, but that is probably just an accident.

Government is by the people, of the people, and for the people. By the people: it is now by some of these trillions of you. These trillions of you will make a government. Of the people: may be some of the same trillions of you or they may be a different sample of the trillions of you. For the people: For the people is the trick of privacy. How can trillions of you, spread out in every which-a-way, as trillions of bags of bits, be made for you, for your benefit and not misused for your detriment?

Things were much simpler when all there was to you was the trillions of cells that you lug around more or less in one place and a few scraps of paper that you signed. Now that you have physical cells and information cells, just finding all the information cells, collecting them, sorting them, caressing them, growing them, protecting them, and having them act in their own interest, has become a huge problem. This is not just your problem, this is a problem for government, and it cuts to the very definition and meaning of government.

It is interesting that right as we are completing the human genome, the map of the DNA that gives us the architectural plan for all of our physical cells, we are now confronted with a miasma of information cells. We don't even know if our information body has something like a strand of DNA that can define it. We know that our information body is out there, spread all over the globe. DNA is even making the mess messier. DNA itself is going to be unique for each individual. DNA itself is a bag of bits that will uniquely identify, and, it must be understood, be you. Now that scrap of skin will match your

physical cells to your information cells because your physical cells now can be uniquely pegged in the information infrastructure of the trillions of bags of you.

Every time you use a credit card, every time you report something to any government, every time you cross a border, nearly every time you participate in a meeting, nearly every time you walk or drive, some bits of information are being collected on you and these bits are winding up in uncontrolled places.

It is simply another few bits of information to tie one bag of you to another bag of you. It is simply another little computer ker-chunk! Most computers ker-chunk billions of times a second. With millions of computers this ker-chunking is going on at rates that dwarf the present number of bags of bits of you. There are on the order of 500,000,000 computers out there ker-chunking at an average of say 1,000,000,000 times a second. This gives us a global ker-chunk rate of 500,000,000,000,000,000 per second. There are about 31,536,000 seconds a year which gives us a global ker-chunk rate of new associations of about 15,500,000,000,000,000,000,000 ker-chunks a year. If you don't think privacy is problem, think again.

By the way, about a quarter of a billion new computers will go out, globally, this year. The above estimates will rapidly look like tiny numbers and gross underestimates of the association rate of our information infrastructure. As a rate estimate, it is basically only a potential rate. The actually rate is going to be much smaller. But how much smaller does it have to be before we can rest assured that the concern about privacy and fundamental rights is protected?

There are about 6,000,000,000 people on the planet. If we divide the yearly ker-chunk rate by the number of people we get about 2,500,000,000,000,000, or 2.5 trillion ker-chunks per person per year. A lot of harm, and a lot of benefit, can be done in 2.5 trillion ker-chunks. One harm is a harm to privacy. One benefit is No Taxes.

The No Tax plan, if it is turned on in a decade, will be turned on in an environment where these numbers, excepting the number of people, will be several orders of magnitude larger. We'll probably have to quickly convert to physics notation, like $2.5 * 10^{20}$. It should be pretty obviously that the No Tax plan is going to have plenty of electronic infrastructure to support it. Indeed the whole No Tax mechanism will probably hardly tax (tee hee!) the computing infrastructure ten years from now.

The complaint that the No Tax plan is going to cause us to give up our privacy, in such a world as we have today, is patently a pretty stupid complaint. Your privacy is already completely gone and compromised. You don't even know who knows what about you. If everybody who had something on you were to even try to tell you what they know, you would be so awash in data that you would never crawl out of it. Get over it. A No Tax plan has the profound benefit that it puts a governmental thread, a government by the people, of the people, and for the people, into this rampant system of cancerous you-cells.

Now the government can watch every transaction. Herb Simon, a great Nobel Prize Winning Economist, stands in front of audiences and tells audiences he is a Psychologist. He lives this belief. His work office is, in fact, not in a Business School but inside the Psychology Department. With the government thread in every transaction, it may still not be possible to protect your privacy, but it may be possible, at least, to properly conceptualize your information cells out in the cyberworld. It may be possible to even begin to think about the cyber-you that is moving around, acting, and being acted on, both consciously and unconsciously in the cyberworld.

So, what else is privacy? There is a conception that privacy is a right. It seems to have three properties that are of significance. They are your right to hide from personal harm, your right not to have something known about you turned to a purpose you wouldn't approve, and your right to be treated as anybody would be treated, irrelevant of who you are. In a No Tax world the government will have no right to harm you based on your monetary transactions unless they are illegal. But they can't make an argument that you

are not paying taxes! They have to make an argument that you are stealing, defrauding, or murdering somebody. Now, it has to be said that if privacy is a right, the first two rights, hiding from personal harm and protection from information misuse, are not recognized rights. Only the last privacy right, that the cyber-you be treated like any other cyber-person, is guaranteed by the Constitution. We might consider changing all this, but we should probably first get rid of taxes.

The right to bear arms is considered by many people as the last defense against a renegade government. The taxless society gives the government minute-by-minute information on all monetary transactions. Even if we set it up so that government power, in key ways, is controlled by law, it is possible to change the law and use the technology in nefarious ways. This is akin to what happened in World War II when arms were snatched because the government had records that the Nazi's then employed to disarm the populace. But it may be that without No Taxes, the situation is actually likely to be worse, since a bad guy can commandeer the infrastructure anyway. In a world without No Taxes, he may find it easy to commandeer the infrastructure without people knowing or understanding what he is doing.

Nevertheless, it is clear that we need to pass laws that require certain government reporting to the public. For example, it should not be possible for the government to change certain aspects of the control of information within the government. The government should not be allowed to distribute the Social Security identifying information except, as it is already used today, for the purpose of Social Security and the purpose of National Defense. As anyone knows who goes through customs, the United States has a very fine control of the virtual you that is your Social Security Number.

As long as we know clearly what the government is allowed to know, and we can watch the government, then we can get some early warning on misuse and take measures. For example, an alternative government can come in and set up a new monetary system using

the same technology. Of course, this would not happen without very strong political forces at work.

X
Fed

Letter from Thomas Jefferson to Pierre S. Dupont de Nemours

Monticello, April 15, 1811.

Dear Sir,

I have to acknowledge the receipt of your letters of January 20 and September 14, 1810, and, with the latter, your observations on the subject of taxes. They bear the stamps of logic and eloquence which mark everything coming from you, and place the doctrines of the Economists in their strongest points of view. My present retirement and unmeddling disposition make of this *une question viseuse pour moi*. .. Yet I do not believe the change of our system of taxation will be forced on us so early as you expect, if war be avoided.

It is true we are going greatly into manufactures; but the mass of them are household manufactures of the coarse articles worn by the laborers and farmers of the family. These I verily believe we shall succeed in making to the whole extent of our necessities. But the attempts at fine goods will probably be abortive. They are undertaken by company establishments, and chiefly in the towns; will have little success and short continuance in a country where the charms of agriculture attract every being who can engage in it.

Our revenue will be less than it would be were we to continue to import instead of manufacturing our coarse goods. But the increase of population and production will keep pace with that of manufactures, and maintain the quantum of exports at the present level at least; and the imports need be equivalent to them, and consequently the revenue on them be undiminished.

I keep up my hopes that if war be avoided, Mr. Madison will be able to complete the payment of the national debt within his term, after which one-third of the present revenue would support the government.

Your information that a commencement of excise had been again made, is entirely unfounded. I hope the death blow to that most vexatious and unproductive of all taxes was given at the commencement of my administration, and believe its revival would give the death blow to any administration whatever.

In most of the middle and southern States some land tax is now paid into the State treasury, and for this purpose the lands have been classed and valued, and the tax assessed according to that valuation. In these an excise is most odious.

In the eastern States land taxes are odious, excises less unpopular.

We are all the more reconciled to the tax on importations, because it falls exclusively on the rich, and with the equal partition of intestate's estates, constitute the best agrarian law. In fact, the poor man in this country who uses nothing but what is made within his own farm or family, or within the United States, pays not a farthing of tax to the general government, but on his salt; and should we go into that manufacture as we ought to do, we will pay not one cent.

Our revenues, once liberated by the discharge of the public debt, and its surplus applied to canals, roads, schools, &c., and the farmer will see his government supported, his children educated, and the face of his country made a paradise by the contributions of the rich alone, without his being called on to spare a cent from his earnings. The path we are now pursuing leads directly to this end, which we cannot fail to attain unless our administration should fall into unwise hands.

Another great field of political experiment is opening in our neighborhood, in Spanish America. I fear the degrading ignorance into which their priests and kings have sunk them, has disqualified them from the maintenance or even knowledge of their rights, and that much blood may be shed for little improvement in their condition. Should their new rulers honestly lay their shoulders to remove the great obstacles of ignorance, and press the remedies of education and information, they will still be in jeopardy until another generation comes into place, and what may happen in the interval cannot be predicted,

nor shall you or I live to see it. In these cases I console myself with the reflection that those who will come after us will be as wise as we are, and as able to take care of themselves as we have been. I hope you continue to preserve your health, and that you may long continue to do so in happiness, is the prayer of yours affectionately.

Thomas Jefferson

To summarize Mr. Jefferson: Let's find taxes that don't bother anybody. The government should work at this. The best taxes are those that are paid by people outside the country so we don't have to see any taxes. The farmers that don't use government stuff shouldn't pay any taxes at all. Everybody wants to have fun farming. High quality manufacturing in the cities is a laugh and will never come of anything. Income tax is completely ridiculous. Finally, and most importantly, education and information are remedies for what ails countries.

The Fed has its task cut out for it in an age of No Taxes. It has to print money based on a careful understanding of where it can get away with printing money. The government buys but it hardly sells. If you keep printing money to buy stuff, then the money supply grows and grows. The result is that you have runaway inflation. Taxes cancel the money the government puts into the economy to buy itself goods and services.

Conversely, the government is pumping extra money into the economy in order to give us the money we need to pay taxes. It is funding itself forward. This is an apparent paradox. If we let GOV = government, \$X = magic stones, PEO = the people:

GOV moves \$X to PEO (government buys from people)

G&S moves to GOV (people create goods and services for government)

PEO move \$X to GOV (this is the tax, folks)

Net : GOV has new G&S and \$X cancels (the thesis of this book, no taxes)

\$X canceling means PEO don't get paid, actually (the government shell-game)

\$X canceling means GOV impact on economy is zero (the problem for our thesis)

That's right, folks, you are donating your goods and services to the federal, state, and local governments for free! If you pay no taxes, the government has to actually pay you for those goods and services! You get to keep the money for the services you render!

Somehow, the Fed will have to do a very slick trick of not taking taxes from people and also reducing the number of dollars by the correct amount that the government prints for itself to buy the goods and services it needs. Obviously Jefferson was playing the same kind of game in 1811, so this isn't a new trick. Jefferson was just as obviously not always right about some things, like the future role of manufacturing in the United States. This isn't a new phenomenon either.

A possible key to solving the paradox is to have the government cause deflation. Deflation is when the price of goods drops. If price drops, then fewer dollars are needed and the government can print fewer dollars. The government can cause deflation by not buying something in good supply. Once prices are dropping, the government can come in and buy things without putting a net increase amount of money into the economy, thereby triggering inflation. The way to understand that this is what is going on today, anyway, is to understand that the government has to manufacture the money it gets for taxes, particularly income taxes. Without income taxes people can take a ready 20 to 40% cut in pay without effect. The price of goods and services drops. The presence of the deflation allows the government a lot of room for inflationary spending.

But what can cause the deflation, or the inflation, without us seeing it? In other words, how can you manage the deflationary and inflationary trends so they roughly cancel? This is a very big problem if we instantly turn off all taxes. People will become much richer and prices will go up. Given how huge our tax bite it today, the inflation would be horribly disastrous.

One answer would be to phase out taxes very slowly. With about 15% of the Gross Domestic Product coming in as government tax, one percent a year, dished out very carefully (perhaps first to pay off interest), might have the desired deflationary pressure of increasing the goods and services available.

Another technique notes that the overwhelming majority of taxes are income taxes. This technique will fail but it is worth noting. Suppose the government went out and recommended that all pay be cut to levels appropriate to No Tax levels. In effect, people would not pay tax and would get salaries that are 20-40% less than they were making the month before. If all salaries used monthly withholding tax, this would cause huge cash gains for the corporations that would otherwise have had to pay the salaries inflated with the tax. Corporations could not readily lower their prices, even if they wanted. This technique would very probably lead to disaster.

Another technique is money rot. Money just disappears at a rate joined with the rate at which the government is spending it. This could be a ratio so a fixed amount of money never completely disappears. The rate of interest on the money can work against the rate of loss. Of course, this is just a way to hide a tax on money. A tax on money is a novel tax that would probably also be pretty bad in the sense that people would try to get out of money and into stuff that didn't depreciate just with time, like property. Real estate tax is a kind of property rot that the government creates. Money rot is also not so hot because our savings rates are so low in the first place.

Probably the right method is to stop all taxes and then keep in place the taxation. Your salary comes with the taxes withheld automatically. This would not be withholding that you get back. It would be once and for all. When you buy something that should get sales tax, your account is docked an extra percentage. This predictable taxation occurs initially. Over time, the taxation is gradually removed. The "NTA" of an earlier chapter really has its work cut out for it.

Here are a few scenarios to understand how this might work with the Federal Reserve accounts that people and companies maintain. A company transfers a salary check of,

say, \$2,000 from the corporate revenue account to an employee's account. What shows up in the employee's account is \$1,500. Millions of account-to-account transfers each day generate the needed billions of dollars for the U.S. Treasury to spend for the government. This is already being done by controlling money through the central depository. If it upsets you to hear there is a central depository. Get over it. It's been there a long time.

As will be seen in the next episode, the banks keep very careful tabs on things. The banks can tell you the balance sheets on all the households in the United States in a matter of a few weeks, while current data for the IRS is 1997!

With the continued help of the banks and other financial institutions, over time the government can rectify the tax situation by invisibly correcting the accounting to be more correct. My vote is to remove all taxes by just having the government pay with its manufactured money. To the extent that it can simultaneously avoid inflation or deflation, then, quite frankly, who cares? I would rather trust that a dollar is a dollar and not care much that the government manufactures some of these for its own use. At least then the government is really paying me for my goods and services.

For an accountant or an economist, the reader should be aware that what I speak is utter heresy. At the root of all good record keeping is the balancing of transactions. Our government and our banks severely punish other countries and banks for daring to spend money they do not have the revenue to show they can support. It is important to understand that an accountant or an economist can also frame things differently. They can routinely restate a cost as a gain, and vice versa. It isn't dishonest. This is done to keep accounts in balance: the money flows even. But the real measure isn't that you balance the books, it whether you leave people happy and proud of themselves. Our government is chartered to worry about the general welfare. Treated as a manufacturer of money, it need only worry about whether the creation of money makes us healthy or poisons us. The determination of staying healthy is not slipping into inflation or deflation. It is not making two numbers equal each other when there are lots of numbers

and lots of ways to pose them. It is not taxes. If taxes are seen as a remedy to what ails you, then lets go back to cod liver oil.

An objection to doing away with taxes is that there would be no way to control what the government is doing with our money or how much money the government is taking. The beauty of taxes is that you are constantly reminded of what you are paying the government in the little sales taxes, and fairly fiercely reminded through your withholding statement on pay day. This keeps the pressure on the government to be accountable.

But this argument may carry no weight whatsoever. In a No Tax world, the government could be compelled, and reasonably be expected, to provide automatic summarizations current to the last week or two. Such summarizations, like the spreadsheets sprinkled through this book, could easily inform the populace of the activity of the government in garnering money for itself. Congress, that has control over spending and raising money, could be put upon to insure that these numbers are public. It is much better to know how taxation is being derived from everyone because that enables you to absolutely confirm that you are being treated like anybody else. The Constitution says that Congress must worry about such fair treatment. The easiest way to prove the system is fair is to show what it's doing with everybody.

XI

Sam and Martha

The beginning of the new millennium there was about 4.5 trillion dollars in home mortgages in the United States. This is what we owe the banks, let alone what our government owes others. The aggregate debt is well over 10 trillion dollars, or about \$40,000 for every man woman and child in the United States. This is a little story of our beloved Uncle Sam and his wife Martha...

Uncle Sam sat back in his chair the size of Hollywood and beckoned Martha over. She was a pretty wench, weathered a bit around the eyes, but with a straight nose and a strong chin. He pulled his long and gant legs to the side and she slipped in.

“Where’s the TV control?” The giant six hundred foot television set was turned off. Sam had gone to Circuit City, not a week before, and spent over a billion dollars on this thing. He was out to really enjoy it. He had come loaded with digital television capability, a digital video disk, and even Internet access.

“Hun, I don’t know. We really need to keep these controls where we can find them.” She started wiggling just to see if it was in the chair. Sure enough, “Here it is hun, you were sitting on it.”

“OK, thanks.” He pushed the on-off button once and the on-light went on. About a minute later the television set came to life.

It was George McGovern, U.S. Representative to the U.N. Food and Agriculture Organization, and long-time presidential aspirant. “The United States last year delivered \$33 billion dollars in free food programs including school lunch programs, food stamps, the like...”

“Let’s leave this one, Sam.” She lightly touched the up channel.

It was Bloomberg financial markets. “This week on Bloomberg Money Flow, the markets come together, and we get together...” Click.

“The northern plain states are higher than normal. Iowa is wet and the storms are moving east.” Click.

Ring. The telephone signals it’s rat-a-tat-tat beep. Click. The TV is off.

“Yes?” Sam lifts the twenty-foot long phone receiver and answers.

“Yea, thanks!” Then he turns to Martha, “Our accountant has our net worth figured out. He’s not only got our net worth, but he finished the net worth statements on my little business.”

Martha says, “How did he figure this out?”

“Yea, Frank, how did you figure it out? Yea, yea, yep. He figured it out by asking the banks. You know they keep records on everything. In fact they are so efficient, the net worth statements are kept up to date by the week.”

“You’re kidding.”

“Frank, Martha is incredulous. How can you get these to me? Sure, yea. OK, go ahead. See ya.” He hung up and twisted toward Martha slightly. “He’s emailing me the spreadsheets right now. Let’s turn on the TV and see if that Internet thing is running.

“Here you go. I think this one is for our household. Gee, it looks like our household assets total about 49 trillion dollars. Is that good?”

“Yea, Sam. That’s pretty good,” said Martha. This is what they were looking at:

Balance Sheet of Households and Nonprofit Organizations Mar-10-00

Billions of dollars; amounts outstanding end of period, not seasonally adjusted

	1995	1996	1997	1998	1999	
1 Assets	32,610.4	35,483.2	39,697.0	43,508.8	48,889.1	1
2 Tangible assets	10,776.7	11,299.5	12,068.6	12,925.8	13,940.9	2
3 Real estate	8,398.0	8,832.9	9,516.9	10,237.7	11,088.4	3
4 Households	7,631.1	8,031.2	8,620.4	9,242.8	10,029.6	4
5 Nonprofit organizations	766.9	801.7	896.5	994.9	1,058.8	5
Equipment and software owned by						
6 nonprofit organizations	74.0	77.6	81.5	84.2	89.9	6
7 Consumer durable goods	2,304.8	2,389.1	2,470.2	2,603.8	2,762.6	7
8 Financial assets	21,833.7	24,183.6	27,628.3	30,583.0	34,948.3	8
9 Deposits	3,365.5	3,539.6	3,807.2	4,165.1	4,337.9	9
10 Foreign deposits	23.4	35.5	41.8	41.5	45.0	10
11 Checkable deposits and currency	504.9	445.8	445.4	461.5	441.8	11
12 Time and savings deposits	2,388.0	2,553.0	2,724.5	2,923.8	3,013.2	12
13 Money market fund shares	449.2	505.3	595.5	738.4	837.8	13
14 Credit market instruments	1,885.0	1,993.7	1,873.5	1,781.1	1,960.4	14
15 Open market paper	48.0	55.4	59.0	63.2	68.5	15
16 U.S. government securities	822.2	896.3	721.0	552.1	658.8	16
17 Treasury	699.9	687.9	511.5	390.5	346.7	17
18 Savings bonds	185.0	187.0	186.5	186.6	186.4	18
19 Other Treasury	514.9	500.9	325.0	203.9	160.2	19
20 Agency	122.3	208.5	209.5	161.6	312.1	20
21 Municipal securities	457.7	435.6	463.6	475.4	527.5	21
22 Corporate and foreign bonds	447.6	496.9	520.9	581.2	596.1	22
23 Mortgages	109.5	109.4	108.9	109.2	109.5	23
24 Corporate equities	4,121.6	4,642.1	5,689.6	6,338.7	8,008.9	24
25 Mutual fund shares	1,265.0	1,586.0	2,057.3	2,500.7	3,104.3	25
26 Security credit	127.6	162.9	215.5	276.7	318.6	26

27 Life insurance reserves	566.2	610.6	665.0	718.3	772.0	27
28 Pension fund reserves	5,767.8	6,642.5	7,894.4	9,079.2	10,360.4	28
29 Investment in bank personal trusts	803.0	871.7	942.5	1,001.0	1,116.6	29
30 Equity in noncorporate business	3,640.4	3,833.2	4,171.8	4,395.3	4,630.3	30
31 Miscellaneous assets	291.7	301.4	311.7	326.9	339.0	31
32 Liabilities	4,982.2	5,332.7	5,707.8	6,205.6	6,840.9	32
33 Credit market instruments	4,782.8	5,108.0	5,438.0	5,909.9	6,466.8	33
34 Home mortgages	3,252.0	3,464.3	3,697.9	4,057.8	4,479.6	34
35 Consumer credit	1,122.8	1,211.6	1,264.1	1,331.7	1,428.5	35
36 Municipal securities	98.3	104.9	114.9	126.9	137.3	36
37 Bank loans n.e.c.	57.4	58.0	66.6	72.9	65.1	37
38 Other loans and advances	160.3	172.7	190.7	204.0	219.4	38
39 Commercial mortgages	91.9	96.6	103.7	116.6	136.9	39
40 Security credit	78.6	94.4	131.2	152.8	222.4	40
41 Trade payables	103.3	111.9	120.0	125.7	132.7	41
Deferred and unpaid						
42 life insurance premiums	17.5	18.3	18.6	17.2	18.9	42
43 Net worth	27,628.2	30,150.5	33,989.2	37,303.2	42,048.2	43
Memo:						
Replacement cost value of structures:						
44 Residential	6,021.2	6,365.2	6,714.4	7,095.9	7,594.3	44
45 Households	5,724.7	6,061.1	6,403.1	6,779.3	7,268.6	45
46 Farm households	175.1	180.0	184.7	187.6	192.6	46
47 Nonprofit organizations	121.5	124.1	126.6	129.0	133.1	47
48 Nonresidential (nonprofits)	572.4	598.1	633.5	660.7	692.0	48
49 Disposable personal income	5,422.6	5,677.7	5,982.8	6,286.5	6,639.4	49
Household net worth as percentage of						
50 disposable personal income	509.5	531.0	568.1	593.4	633.3	50
Owners' equity in household						
51 real estate	4,379.0	4,566.9	4,922.5	5,185.0	5,550.0	51
Owners' equity as percentage of						
52 household real estate	57	57	57	56	55	52

“But, you know Sam, you were reading the wrong number. Our net worth is really only 42 trillion dollars. You forgot to add our personal debt of about four and half trillion on the house here and our other little debts, like my one-and-half trillion dollar credit card bill.”

“There are a lot of numbers here, Martha.” Sam was starting to try to figure this thing out. “Am I reading this right, or is it true that our net worth rose from 27 trillion to 42 trillion in five short years?”

“Yes, Sam, you are reading right. That’s about a 50% increase, or about 10% per year.” She didn’t want to make it too hard for him to understand, even though she knew better than this. It wasn’t really 10%. But it was a good gain in asset value over time and that’s all she thought Sam should have to know.

“Do you think we can buy a boat? I’ve got my eye on this aircraft carrier. I also saw this really nifty Boeing 747. I was thinking it would be big enough to hold our dog.” Sam was taking off.

“Sam, Sam. You know better than that. Where are you getting your money? We can’t just buy things willy nilly because we have a high asset value. Don’t you want it to keep growing?”

Then, there was a “bing” on the TV and another message was waiting. Sam hit the button and saw a new table, “Hey, here’s another one. Oh,yeah, this is the balance sheet on our business, Hun.”

Balance Sheet of Nonfarm Nonfinancial Corporate Business

10-Mar-00

Billions of dollars; amounts outstanding end of period, not seasonally adjusted

1995	1996	1997	1998	1999
------	------	------	------	------

Assets	11,493.8	12,266.3	13,338.8	14,251.4	15,379.6	1
Tangible assets	6,774.5	7,077.7	7,666.9	8,248.1	8,747.6	2
Real estate	3,203.2	3,353.9	3,756.2	4,202.9	4,411.2	3
Equipment and software	2,501.5	2,633.1	2,770.4	2,865.2	3,086.7	4
Inventories	1,069.8	1,090.7	1,140.3	1,180.0	1,249.7	5
Financial assets	4,719.4	5,188.6	5,671.9	6,003.3	6,632.0	6
Foreign deposits	15.6	26.1	19.8	20.6	18.6	7
Checkable deposits and currency	252.9	289.8	282.7	299.1	347.3	8
Time and savings deposits	42.9	43.6	49.8	42.7	58.0	9
Money market fund shares	77.0	86.9	110.7	155.8	191.8	10
Security RPs	2.4	3.9	4.5	3.2	3.4	11
Commercial paper	20.1	31.5	35.3	27.3	46.1	12
U.S. government securities	80.5	75.6	67.3	77.2	92.5	13
Municipal securities	36.8	31.0	36.1	41.9	39.6	14
Mortgages	57.9	54.4	50.4	46.4	42.4	15
Consumer credit	85.1	77.7	78.9	74.9	80.3	16
Trade receivables	1,184.9	1,273.1	1,309.7	1,318.7	1,409.1	17
Mutual fund shares	45.7	59.9	69.1	91.0	112.0	18
Miscellaneous assets	2,817.4	3,135.2	3,557.6	3,804.6	4,191.0	19
Liabilities	6,009.5	6,481.1	7,011.5	7,369.7	8,062.8	20
Credit market instrument	2,936.6	3,120.2	3,401.7	3,807.3	4,285.7	21
Commercial paper	157.4	156.4	168.6	193.0	230.3	22
Municipal securities	134.8	137.9	142.0	147.8	152.8	23
Corporate bonds	1,344.1	1,460.4	1,610.9	1,829.6	2,059.5	24
Bank loans, n.e.c.	587.7	627.2	695.4	777.6	849.7	25
Other loans and advances	453.7	472.2	520.6	567.9	614.9	26
Mortgages	258.9	266.2	264.3	291.6	378.5	27
Trade payables	877.5	927.0	990.5	978.1	1,081.3	28
Taxes payable	40.3	49.9	59.2	64.0	66.8	29
Miscellaneous liabilities	2,155.1	2,384.0	2,560.1	2,520.4	2,629.0	30
Net worth (market value)	5,484.3	5,785.3	6,327.2	6,881.6	7,316.8	31

“It looks like our little hardware store is worth about seven trillion, and some change, Sam. The asset value is pretty good, too. It’s about fifteen trillion and the debt is only about six trillion. The ol’hardware store is making it.” Martha smiled.

“Yea, I never thought that little Sammy could pull that one off. My son is a pretty good proprietor of the store. Kind of makes you proud, you know.” Sam was getting teary.

“Sam, don’t cry. You’ll flood the Mississippi again. We are kind of doing OK. But I’ve heard the government balance sheet isn’t so good. I heard that they have a lot of debt and they have a negative net worth, maybe six trillion or so.”

“Oops.” Sam sat up straight and tussled Martha off to the side. “Look, I don’t want to use my good money to pay taxes to those government suckers. Let them work out the mess they got themselves into. I’ve got my house and my business to worry about. I’ve shown that I can run those. We’ve got close to fifty trillion dollars after over 200 years of hard effort. Just because the government can’t figure out how to stay afloat, doesn’t mean we have to help them.” Sam was getting spitt’n mad.

“Sam, Sam. Calm down. I heard the government has this nifty thing called No Taxes.”

“OK, clue me in, Marthy babie.” Sam liked this position with Martha. It was like old times.

“Well, first, Sam, we don’t have to fill out that horrible form every year.”

“That sounds good. Keep going.”

“Second you never have to figure out the tax on anything anymore.”

“That’s pretty cool. Anything else?”

“They say that if the government is very very careful, the government will let us keep every dime we make on anything. No taxes at all.” Martha waited. She knew what was coming.

“Did you say something silly like, ‘if the government is very very careful?’”

“Well, yea, Sam, I did say that. Sorry. You’re comparing their balance sheet to yours again, aren’t you?”

“Yea.” Sam sighed. “But it is our country. We’ll give them a chance. Let’s get back to TV. All those numbers made me hungry. Maybe you can cook up a whale tonight? I hate having to eat all that extra corn and wheat, night after night.”

Martha sighed. She didn’t want to remind him that whales were illegal now.

XII

Foreigners

If the economists and accountants haven't already decided that this No Taxes thing causes the pinball game of life to go tilt, the No Taxes deal for foreigners will do it. For everybody else, just remember that to win at pinball, you have to risk the tilts.

In the No Taxes scenario, there comes a time when the United States Government no longer recognizes cash transactions. George Washington, Ben Franklin, Hamilton, Jackson, and all those guys just don't have the puff anymore. The United States Government will take those guys in and trade them for federal electronic money. If you are overseas, you are guaranteed that it is illegal for an American company or individual to take the old cash for payment.

Tilt!

Furthermore, a foreigner that wants to take payment from a U.S. company or citizen must take his payment through the United States banking system.

Tilt!

Finally, if two foreigners decide to trade in dollars, they know that the United States Government backs these dollars only on a one-way trade into the Federal Electronic Monetary system.

Tilt!

Are we winning yet? The good news, if the pinball game hasn't shut us down yet, is that we can now track money flow internationally and use this as a basis for taxation calculations. It is even possible to imagine taking a piece of international transactions just because they use our money.

Tilt!

But even if we don't do that (even I am getting scared now), we would at least be able track international transactions to determine how our money is being used. Again, this is not for the purpose of figuring out what a particular person is buying or selling but to help figure out how to stabilize inflationary and deflationary pressures brought about by the use of U.S. currency, and the additional manufacturing of that currency by the U.S. government for the purposes of the U.S. government.

If all of this has left us with a dead pinball machine, here are some lighter-handed measures. Payments from U.S. companies and citizens, sure enough, have to go through the U.S. banking system because the money leaving the country now must only be electronic money. Payments to U.S. companies and citizens can be any form whatsoever that the U.S. company or citizen is willing to accept. As long as U.S. companies and citizens deal in foreign currency, these dealings are manifest by the laws of the currency bearing country. It may also be possible for a foreign bank to continue to bank in U.S. dollars. Just as the Federal Reserve takes in old dollars and burns them, and has arrangements with foreign banks, it will provide accounts for electronic money that replaces the old money. Furthermore, according to laws and treaties to be arranged, there can be information sharing on these accounts as long as the accounts are U.S. money accounts.

The European model for privacy could be adopted by our banking system for the purpose of insuring trust. In this model, a person owns the information that can personally identify himself. This ownership is absolute and cannot be taken away. So, any person, company, or institution in Europe that gains information about you as an individual, can only use that information for the purpose that you have explicitly allowed. He cannot, for instance, share that information with any other person, company, or institution, unless you have specifically allowed him to share it. This would mean, in practice, that the United States would offer Federal Electronic money accounts to foreigners, and, in order to establish trust, do this under European privacy laws -- at least for Europeans. This is all probably a very good idea.

Assuming that this deaf-dumb-and-blind pinball wizard, me, is winning a bit now, here is the great shaker.

Another country may beat us to this No Tax thing. They may come in and do it first with their own system. There are a lot of countries that are small and rich enough in electronic infrastructure to consider it.

Of course the negotiation with the U.S. government and banking system, and all the other governments and banking systems would be a very interesting negotiation to watch. In fact, we might even hope that a whole bunch of countries try, more or less simultaneously, to see if they can make No Taxes work. Taxes aren't just a problem for Americans.

XIII

Take me to “Heaven”

By 1994, I had recognized that No Taxes was possible. Not only did I have to give that speech sandwiched between Tipper Gore and Dan Quayle, but Ellen Goodman wrote an interview with me in her book “Come the Millennium: Interviews on the Shape of Our Future” (Kansas City: Andrews and McMeel, ISBN 0-8362-8070-9). On page 37, I laid out what I had understood to that point, at the very beginning of the Internet:

“Taxes will be eliminated and an invisible financing system will be developed to support public needs so that through our work government mechanisms are automatically funded. I don’t know exactly how it will work, but some guy will figure out a system where, if I buy something that costs a dollar, I’ll give the merchant plastic money which magically changes into sixty cents. We’ll never have to pay taxes again and no one can cheat.”

For years I wondered how some invisible “friction” would take the dollar and make it sixty cents. I knew I was right but I was making the mistake of trying to subtract money from somebody without thinking that the government already does this when they print money for themselves. In effect, you don’t have to subtract money, the “friction” is already in the economic system. With this insight, No Taxes is No Taxes. Getting there is the trick.

We are facing a wonderful future with No Taxes. This may take ten years if we have a really smart government, or five hundred years if enter a period of the dark ages, but it is pretty obviously inevitable. People just like to solve problems and make things easier for themselves. Taxes are a sitting duck. If it is possible to get rid of taxes, and it is, then we can rest assured that many other people will figure this out. It will happen when the person with the right powers, either of money, punishment, or persuasion, figures this out and makes it happen. Not a moment sooner. Not a moment later.

We will look back on the age of tax as a silly age when people thought they had to have taxes in order to have government. We'll appreciate that those people were probably doing the best that they could, but we'll be amazed that they didn't understand that taxes were optional. Why did they spend so much time talking about taxes, fighting about taxes, and making their lives miserable around taxes? It is very strange. It's even worse than those doctors that thought that bloodletting was a great cure for most any disease. Those people back in the late 1900s were really stupid. Wasn't it obvious?

Today we can go to the Internet and the detailed monthly expenditures for the Federal Government, and for our world government as well. Drilling down, we can find out how the government measures the money that it creates for itself. Government does manufacture a product that it sells to us, it manufactures money. We give it back goods and services, and then it takes back the money it manufactured. The alternative view is that the government takes money from us and uses it to buy goods and services, but the result is the same. We get zero, and the government has purchased goods and services. This is not razzle dazzle. The zero sum game is there only to control inflation and deflation. But it is a zero sum game for the money alone...the goods and services were still produced and this cost money and resources. The excess inflation is commonly controlled by many mechanisms. Why do we have to have it be taxes? And why, for crying out loud, does it have to be taxes that we individually have to do the accounting for?

SIMGOV, a popular computer game of 2076, from the people who did SIMANT, SIMCITY, and SIMFARM, lets you play with alternative scenarios. The economy responds when you change the basis for taxation or when you redirect government purchases on a day-to-day basis. Several people can play with competing governments, each trying to raise more money for itself without affecting inflation or deflation. The game even has controls for setting interest rates to fine-tune the propensity of an economy to go into inflationary or deflationary spirals. The government that can raise

the most money for itself becomes the best place to live. Somebody wins and somebody loses.

I suspect people will start punching holes in this book. After the realization that No Taxes was possible in late 1993, I described my hypothesis to a number of people and a few more audiences. Various experts have said that, while I didn't have it completely right, it wasn't such an impossible thing to seriously consider. But the fact of the matter is that, after over six years inquiring, I still don't know if this No Tax thing can be made to work. I continue to have the opinion that it will work, but I am just as certain that it will take a lot of people, looking at the issues from many points of view. While I have spoken of Economists and Accountants lightly in this book, they deserve much of the credit for our wealth and standard of living today. There are many brilliant and great people who know their stuff with money. It is with struggle that civilization moves on. So, this is a plea. If you set out to deeply analyse the treatise of this book, be optimistic unless you can prove this No Tax thing is actually impossible. With optimism, we get all the detail right. It may be that I have 100% of the detail wrong, and you will be able to tell us all how to really do it. As I read off a closed motel sign in late 1993, "worry is a waste of imagination." It really is.

On the lighter side, in this election year, the Republicans should seize this book and say No Tax. The Democrats should see that they get a lot more money for social services simply from the efficiency of electronic money and No Tax. They should say No Tax, too. Then, the two parties can accuse each other of not actually understanding the No Tax initiative. The Republicans can say that the Democrats should not be given such freedom to grow government services, and the Democrats can say that the Republicans should not be permitted such freedom to decrease the taxation. They can fight it out, but we can just sit back, smiling, because we know we don't have to pay those taxes. We just have to decide whether those guys are keeping us, and our economy, happy. In the original interview in 1994, I also pointed out that the telecommunications revolution

would lead to direct contacts between politicians and people, leading inevitably to a lot of political parties, or none at all.

So the history of money and taxes will enter a new time.

“My friends, I’ve made a new discovery. We are going to stop making magic stones. Through the great discovery of the automation of information, we can now keep track of a lot more magic stones that we could ever safely make physically. Right now I’ve noticed that there are magic stone makers showing up all over the world. Even though I regularly kill these guys, there are too many of them for me to track down. We can just let our automated information systems keep track of all the stones. Many of you have credit cards and know this can work just fine.”

OK, I’m listening.

“Great news! By getting rid of these silly magic stones, I can also get rid of all taxes. So, starting forthwith, if you use your credit card for everything, you can stop paying any taxes. That’s all you have to do.”

Marge, stop packing those bags. I think we might stay.