Four Myths Concerning Taxation and Government Spending

Daniel K. Finn
St. John’s University

Abstract: Four “myths” handicap thinking about taxation among Christians. The first myth asserts that relying on the government to take care of the poor undermines the personal obligation that all Christians have to love their neighbor. Personal virtue is essential, but law is one important way a community insists on its moral standards, and law does shape moral character over time. The second myth is that US taxes are high. They are not. If total US taxes (national, state, and local) were increased to the average for OECD nations, each year we would have another $1.6 trillion (with a “t”) to do the many important things that government currently “can’t afford” to do. The third myth is that because the problems of the poor are rooted in the “culture of poverty,” government efforts “just make things worse.” But as University of Chicago economist James Heckman has demonstrated, quality preschool programs for 3- and 4-year-old children from poor families have lifelong effects that reduce time on welfare and in the criminal justice system and improve employment and the length of marriages. The fourth myth assumes that value-free economics alone can justify economic policy recommendations. Comparing the deadweight losses of different forms of taxation is inadequate for endorsing one tax over another. Just like the minimum wage law, each has both positive and negative effects and thus it takes a moral judgment to endorse any policy responsibly.

Taxation and government spending are among the most divisive of political issues among Christians and others. There is a multitude of reasons for this divisiveness, but this essay will address four mistaken ideas—which I label “myths”—that have led many astray.
Myth 1: Relying on the Government to Take Care of the Poor Undermines the Personal Obligation that All Christians Have to Love their Neighbor

Unfortunately, this myth has been adopted by many Christians from a right-wing critique of laws and “big government.” One telling rendition of this myth is provided by the Rev. Robert Sirico, president of the Acton Institute:

If we are required to do anything by law, and thereby forced by public authority to undertake some action, we comply because we must. That we go along with the demand is no great credit to our sense of humanitarianism or charity. The impulse here is essentially one of fear. (Sirico, 2007, p. 15)

There are two problems with this perspective. First, it depends on an individualistic and overly spiritualized view of Christian faith and a reductionist view of the role of law. As law school professor and Christian ethicist Cathleen Kaveny (2012) has argued, law is not simply a set of prohibitions. It has an important function in shaping moral character, acknowledged consistently, for example, within the Aristotelian tradition. The widespread acceptance of automobile seatbelts and of the presence of African Americans at lunch counters are examples of the positive moral effects of law.

Second, rather than understanding government as “they” who act to control us, Lutheran bishop Peter Rogness (2011) reminds us that democratic government is self-government: “When in a democracy it is twisted to rally people against their own government, it is like an immune system run amuck that eats the very body in which it resides.” So, we are the ones who have, out of moral principle, decided to tax ourselves to provide lunch for poor schoolchildren and financial assistance to low-income pregnant mothers.

Myth 2: US Taxes Are High and the Private Sector Is More Efficient Anyway

All too many Americans think their taxes are high. Yet, counting all taxes—federal, state, and local—as a percentage of total national income (GDP), the US is near the bottom of the industrialized nations of the world (Tax Policy Center, 2019). Simply moving our taxation to
the average for those nations would generate another $1.6 trillion (the “t” is not a typo) per year. I recently looked carefully at my paystub and found that my university and I contribute very nearly as many dollars per month for the premium for our healthcare plan as are deducted for my federal income taxes. And this significantly underestimates my healthcare costs, because deductibles, co-pays, and other out-of-pocket expenses come on top of this. Purely from self-interest, it would be worth my while to double my annual income tax payments in return for the healthcare offered to everyone without charge in every other industrialized country. And they provide this more efficiently, spending far less than we do on healthcare as a percentage of GDP (Statista, 2019).

Myth 3: Because the Problems of the Poor Are Rooted in the “Culture of Poverty,” Government Efforts “Just Make Things Worse”

Many right-of-center critics of government assistance to the poor argue that the most fundamental reason that poor people have such high unemployment and lack of economic success is a “culture of poverty” and the lack of what philosopher George Gilder (Clapp, 1987) called “moral capital” among the poor. Wage earners who can support themselves and their families demonstrate traits like perseverance, punctuality, and dealing with conflict without aggression. Many low-income parents are not teaching their children these traits because they themselves did not learn them from their parents. Government financial support for these “dysfunctional” families, the argument goes, only allows them to continue without fundamental change, so it would be better if the government did nothing. Conservatives, thus, prescribe “tough love,” leaving the poor to live in poverty as an incentive to change.

This view ignores, of course, the traditional left-of-center analysis that poverty is caused by structural forces such as high unemployment rates, poor schools in low-income areas, a lack of jobs near those areas, and a shortage of public transit between those areas and the suburbs where some jobs openings do exist.

Thoughtful analysts of the problem of poverty, such as William Julius Wilson, have long argued that both these analyses have merit and that neither is sufficient on its own. In our politically polarized situation, it is difficult to achieve dialogue on such issues. Still, there is clear evidence
that a traditional “liberal” approach to preventing poverty—early childhood education—can make a substantial difference in creating for poor children the very traits that conservatives have long recommended.

Nobel prize-winning Chicago economist James Heckman has written more than a half-dozen papers over fifteen years, analyzing the results of important experiments in early childhood education (Heckman et al., 2013). The first is the mid-1960s Perry Preschool Program in Ypsilanti, Michigan. The second is the North Carolina Abecedarian Project, an even more intensive experiment that was conducted in the late 1970s. Those in the program and others in control groups were followed closely for more than four decades.

After participation in these programs, IQs rose above average, and then later regressed to the mean in elementary school. But it turns out that IQ is not the crucial characteristic for economic success. More important are what Heckman calls “psychological skills,” what Christians and others outside social science are inclined to call virtues of good moral character. These include showing initiative and interest in schoolwork, and a willingness to try something new, as well as avoiding disruptions, aggression, lying, and cheating. The key finding was that the improvement in psychological skills better equipped students with this sort of resilience, which is needed for success in school afterwards. The results at age 40 were even more dramatic. Twice as many had never been on government welfare programs. Three times as many owned a home. Four times as many earned at least $2,000 per month. Half as many had never been arrested. Heckman estimates that the money invested in such programs produces an economic return for government higher than the long-term average for the stock market.

The point here for Christians interested in debates about taxation and government spending is that intensive preschool programs for low-income children are remarkably good investments, even if all you are worried about is reducing government spending. For Christians, this should be a no-brainer.

**Myth 4: Value-free Economics Alone Can Justify Economic Policy Recommendations**

This final myth is relevant to economists, Christian or otherwise. I ignore here the very important debates about whether and to what extent economics can actually be “value free.” (Striving to prevent our political
convictions from influencing our economic research is essential, even if difficult.) Instead, the question is whether an economist, as an economist, can responsibly advocate any particular public policy while striving to leave ethical judgments to philosophers, theologians, and the citizenry in general.

The economic analysis of alternative forms of taxation often stresses the idea of deadweight loss so significantly that it leaves the student (and some economists!) with the belief that economic analysis by itself can identify some taxes as better than others. But of course, there are other differential effects of any form of taxation, such as its impact on low-income citizens, or on the sense of civic trust and interdependence that are critical for a democratic polity. No one can responsibly endorse one form of taxation over another without a careful ethical assessment of all the effects of each, something far beyond the scope of economics.

This problem is similar to the widespread conviction among economists that artificial interventions in the market, such as price floors or ceilings, are bad policies. Economics textbooks universally identify the unemployment effects of a minimum wage, and often leave students with the impression that it is simply a bad idea. But as the nonpartisan Congressional Budget Office (2014) indicated in a study of a proposed increase in the federal minimum wage, raising that wage would have at least three measurable effects, not just one. One would be negative: a rise in unemployment. But two would be positive: a rise in average weekly wages and a reduction in the number of families in poverty. There is simply no conceivable way for an economist to endorse or oppose the use of a minimum wage without a broad ethical analysis, which can only occur outside economics itself.

**Conclusion**

Conversations among Christians about taxation and government spending are critically important. They will be more productive if we are clear about the myths that are endorsed by all too many among us.

**References**


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