Book Review: How America was Tricked on Tax Policy: Secrets and Undisclosed Practices. Bret N. Bogenschneider, Anthem Press (New York; London, 208 pages, Date of first publication: June 2020).

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In this well-argued and persuasive book Professor Bogenschneider dismantles much of the dogma of US tax policy. The crux of Bogenschneider's argument is a discussion of 11 deceptions in tax policy ranging from (#1) the idea that tax cuts for the wealthy will cause economic growth, to (#7) the idea that workers don't pay taxes because the income tax rates are progressive, to (#11) the idea that tax cuts for large corporations will cause a decrease in the prices of consumer goods. Notably, the other 8 deceptions not listed are of such significance and worthy of discussion on their own merits and to not mention of them here feels like leaving a suitcase or child behind on the platform in the train station. This intense feeling of the significance and novelty of Bogenschneider's argumentation, and the ease with which it is presented, is an argument to read the book. Perhaps an important further point of introduction is that in the title Bogenschneider refers to the tricking of America, yet make no mistake, this is a book of international tax law and policy.

Upon review of the book, my overall impression as a professor of business is that Bogenschneider has re-arranged the entire debate on tax policy in a new way and from a new perspective that at least I have never seen before. Bogenschneider ultimately claims the new perspective is premised in postmodern philosophy citing Leona Helmsley as the foil for his philosophical view, with her famous quote: "We don't pay taxes. Only the 'little people' pay taxes." (and, notably, this quote appears on the cover along with a magician's hat and wand, which should bring a sly smile to the face of even the dourest of readers). The philosophical reference of course makes sense given Bogenschneider's roughly 50 journal publications over the last several years broadly related to that topic, but the tax argumentation is so persuasive it feels to belong along the lines of the works of tax philosophy of Nozick, Rawls and so on, and is likely to be viewed as an original work and not derivative of postmodern philosophy but merely reflecting it, even if Bogenschneider does not say so himself. For example, Bogenschneider's insistence on the use of consistent accounting methods in the tax policy seems so obviously correct I cannot see how it would have been thought otherwise. Just as in reading any new and great piece of scholarship the reader is often left thinking that scholars must have always held Bogenschneider's view even though that is very far from true, especially here in tax policy. The book concludes by introducing various alternatives to the current tax system by discussing postmodern tax policy and arguing why the "little people" matter to tax policy.

The book is for you if you are a tax policymaker, university student taking a tax policy course, journalist, or even a taxpayer who finds yourself either the bottom or at the top of the earning scale and want to know more about the dubious origins of tax policy. Above all, the work raises numerous questions that should interest tax policymakers and influence researchers and clinicians in tax policy and tax for years to come. Bogenschneider introduces complex tax issues by presenting and debunking a number of deceptions relating to tax code and tax collection in the USA. His ideas are provocative and captivating. Anyone that pays taxes and especially those who work on tax policy could greatly benefit from reading this work. The start to the chapter one summary, says it all, "The tax system as portrayed on television and in political discourse bears little resemblance to reality." Although not surprising in this era of alternative facts, however, it is very worrying since the tax policy is based on what Bogenschneider calls false assumptions offered initially by the Laffer curve which proposes that tax receipts can be increased by cutting tax rates.

Throughout the book Bogenschneider contends that, "sustained economic growth can best be achieved by cutting taxes on workers and small businesses." In practical terms lower tax rates are only available to large corporations and the wealthy who have a lot of room to essentially set their own tax rate by series of maneuvers ranging from delaying taxation, to tax remittances, corporate inversions, and transfer pricing, just to name few tactics described in the book. One myth dispelled by Bogenschneider is relating tax rate progressivity and welfare programs. He states that the above terms are used "to establish that the current taxation system is "fair" for society as a whole. But the tax system is more accurately described as designed to collect money from workers and redistribute that money to non- workers, rich and poor."
The author asserts that the redistribution from the wealthy to the poor does not take place in the US, rather it is that workers alone support the poor. He further contends that "by inventing a special way to count taxes, we conclude the wealthy pay significant amounts of tax (e.g., the top 1 percent pay roughly half of all income taxes)" which he also demonstrates is false.

Further, Bogenschneider places economic theory and tax policy on a collision course, citing the lack of scientific rigor offered by the former and clinical application of the latter. This seems to be the red thread present in all chapters. It is indeed quite surprising to learn that present-day tax policy is not developed with the use of scientific methods. Later in the same chapter Bogenschneider builds an effective argument for applying the scientific method in tax research diverging from the “common sense” approach currently used. Bogenschneider presents a compelling case against current tax incidence analyses, introduced by Harberger (1962), which often escapes, by design or by choice, most Americans. He also effectively posits a series of questions to build his argument. One of the key questions being: What would tax discourse look like, though, if tax practitioners were in charge? which he answers as follows:

> First, nearly all tax practitioners would agree that large corporations engage in tax avoidance, suggesting that capital bears the incidence of taxation including both capital and labor taxation. Second, tax practitioners usually set out to defer the levy of tax on their clients. Experienced tax advisors should universally agree that the availability of tax deferral is a key aspect of tax policy design. Because tax deferral is only available to capital, and rarely to labor, this suggests that the tax system is favorable to capital.

Furthermore, if you want to understand what Bogenschneider refers to as the “social costs” of generating the majority of tax revenue from wage taxation, at present at 82 percent of the total tax revenue, this book is for you. Also, if you are a small business owner you may want to know that your economic activity is held back in comparison with that of large corporations because of the tax policy according to Bogenschneider.

The social costs of wage taxation are further developed by Bogenschneider from his prior publications in the field of taxation and public health. Of course, public economics assigns all tax incidence to workers, so social costs of wage taxation are not measured at all and then fully excluded from tax policy based on theory alone. The idea as a matter of scientific inquiry (as opposed to economic theory originating with Malthus) is to begin to measure the social costs of high rates of wage taxation as a subtraction to economic results. Bogenschneider eloquently points out how “by inconsistently applying that method of accounting for tax remittances to different groups of taxpayers, it is possible to use the moral framework to reach nearly any statistical or moral result.”

The book also offers an analysis of the postmodern philosophy to taxation, which the author summarizes in the following:

> The Postmodern critique is that tax theory is designed (i) to justify the heavy taxes on workers; and (ii) to assist the wealthy in feeling they have overcome the tax law as applied to the "little people". Economic models are critiqued on the grounds they lack causal hypotheses for testing as would be required in science.

Here, Bogenschneider examines writings on moral philosophy used to frame the tax policy. Analyzing Epstein's moral framework Bogenschneider draws out inner workings of what is referred to as "postmodern" philosophy and its dual approach, he writes, "the first purpose is to collect tax nearly exclusively from workers by withholding directly out of their paychecks. The second purpose is to allow the wealthy to feel powerful by not paying much of anything in tax." Although, Epstein's approach is derived from Locke. Locke however was more concerned that the people have representatives with sufficient power to block attacks on their liberty and attempts to tax them without justification. Nevertheless, as Bogenschneider expertly points out, wage earners as opposed to wealthy, have no choice, the tax is taken away from their wages before the earners see any money. What is indeed an extraordinary atrocity regarding taxation of workers as Bogenschneider concludes using actual data, that it is unrealistic to expect that workers could pay any more in taxes than they already do (p25).

How long can this system hold, you may ask? Regarding small business Bogenschneider writes, "the non neutrality of the business tax system means that in situations where, say, a local small business is in competition with a large multinational, the small business is at a disadvantage because of the tax system." He further lists a number of hypotheticals with large corporations and shows how they can easily avoid taxation while small businesses in the US pay much higher tax and do not have many opportunities, as the large companies to wiggle out of paying tax. This imbalance creates an undue burden for small businesses and provides advantages to large chains, beyond just scale, to compete with their local counterparts.
If you want to better understand the tax jargon offered by politicians and corporate "gurus" regarding the difference in taxation of small and large businesses, such as corporate inversion you want to read chapter three. The chapter offers examples and detailed explanations of various machinations done by large companies to delay paying taxes and possibly avoid doing so altogether. It highlights the process by stating, "a corporate inversion eliminates the need to

repatriate foreign profits back to the US parent corporation, which then avoids the levy of US corporate tax on foreign profits, not domestic profits." This method is available only to large companies and for some reason not to small business nor wage earners. Transfer pricing is another mechanism of how large corporations often dodge taxation. Bogenschneider points out that "Multinational firms are accordingly able to use transfer pricing on finished goods as one possible means to avoid taxation. As an illustration, General Motors has not paid any income tax in the United States for many years, and transfer pricing is presumably part of the reason for its lack of tax liability." While large companies may be able to apply these techniques to avoid, or significantly lower, taxes these methods are also not available to small businesses.

Bogenschneider points out that high taxes are in fact what makes labor expensive therefore incentivizing companies to invest in automation. Consequently, in fact automation is the major cause of job loss in the US not exporting of production (Noble, 2017). In addition to being more efficient and not using paid sick days robots also provide creative ways to avoid the taxes. Here Bogenschneider contends further that in fact "there are various ways that robot workers are favored over human workers in the tax system, ranging from the differential in tax rates to the various types of wage tax levied exclusively on human workers and consumption taxes that only humans pay. Perhaps the most important of these is a reduction in gross tax revenue when a robot worker replaces a human worker." It seems incredible that policymakers do not see this convergence as a tremendous risk which the US will have to face in the fast-approaching future.

The robust discussion of guaranteed income is also very timely here in the hopefully soon to be the post-COVID19 era. As a result of the pandemic, we see more and more jobs not returning or being automated hence further reducing employment opportunities, especially for the less-skilled workers. The argument for basic income guarantee, which by the way was lately brought up to the public view and discussed in some depth by Rutger Bregman (2017). In fact it was considered in the US by President Richard Nixon in 1968 among others. Studies of the cases where basic income guarantee was deployed in Canada, Finland, and the USA show that similarly to the challenge raised by Bogenschneider basic guaranteed income has a positive impact on society including health, education, poverty of its population. Granted not all studies bear the same results but like anything in economics, all variables in these scenarios are not constant.

Most of us will agree with the final call made by Bogenschneider to, “start over in tax policy with the very reasonable presumption that taxes are harmful to all persons, not just the wealthy, including the working poor and their children.” This, in my view, is a very reasonable starting point indeed. Whether you will end up agreeing or disagreeing with the views Bogenschneider presents in this book you will undoubtedly gain a new appreciation of the inner workings of tax policymaking and the effect those policies have on the economic well-being of every participant in the system. Everyone from wage earner to wealthy rent seeker, from small business owners to large corporations, from economist to tax advisor or attorney will see how this well researched and practically grounded work demonstrates the impact of tax policy and its application on every participant in the economy. Besides, it clearly reveals that the wealthy who seem to be afraid to share with the workers fall prey to the scarcity mentality and greed - we will not have enough- although they are already very rich.

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