Learning From Global Taxes

Idea In Short

Compare before complaining: an average American spends 30 hours filing taxes while a Dutch executive spends 15 minutes, and the gap traces to a 27-page code grown to 9,000 through daily congressional changes. Study the international evidence on consumption taxes and fairness before taking positions.

A Weekend With the Forms

Tax weekends invite reflection, since almost anything beats assembling documents, and T.R. Reid's aptly titled A Fine Mess supplies the perfect companion reading.1 Reid is an expansive thinker willing to take on super-macro topics, and his earlier book The Healing of America analyzed the four types of health systems found globally, reiterating the hard truth that the United States has less a healthcare system than a sick-care complex, a patchwork of not-so-intelligent design and poorly structured incentives. A Fine Mess applies the same comparative method to a topic just as byzantine and frustrating: American taxes, examined against how other countries manage the same job.

Thirty Hours Versus Fifteen Minutes

The opening comparison lands like a slap. The average American earning 55,000 dollars annually spends about 30 hours gathering documents and filing taxes, while a Dutch executive earning six figures completes the equivalent in 15 minutes. The aggregate accounting matches the anecdote: even the Internal Revenue Service estimates the opportunity cost of filing at 14 cents per dollar collected, meaning 100 dollars of revenue costs taxpayers 14 dollars of their own time, and tax compliance as a stand-alone industry would employ 3.7 million people. The why has a number attached: the code began at 27 pages in 1913 and now runs 9,000, a 330-fold increase in size, complexity and, often, nonsense. Filing burden is not a law of nature. It is a national choice, visible the moment anyone looks abroad.

Congress Is the Complexity Engine

Assigning responsibility turns out to be non-partisan: Congress creates the complexity, and even the Internal Revenue Service, the agency collecting the money, has begged Congress to stop making so many changes. Between 2001 and 2012 the code changed 4,600 times, more than once per day. A retired senator's reform team documented the consequences in a 300-plus-page analysis taking a consulting-style approach to the code, and the catalog of credits, exemptions and effective subsidies spans agriculture, energy, the military, sports, healthcare, transportation and housing. The design principle, if it deserves the word, is that there is something in it for everyone, which is precisely how 27 pages become 9,000.

Are We Taxing the Right Things?

Reid's international lens sharpens a structural question: why does the United States not use a value-added tax (VAT)?2 Consumption taxes hit spending, which Americans arguably overdo with money they do not have, and they are easy to collect, which is why most developed economies adopted them. Taxes function, for good or bad, as instruments of economic policy, hardly a libertarian arrangement, and Reid drops a quietly devastating observation on the whole enterprise: economists are considerably less confident than politicians about the economic effects of raising or lowering taxes. The gap between political certainty and economic evidence is itself a finding worth carrying into every tax debate.

What Counts as Fair

Fairness questions veer into values, politics and preferences about government's role in society, and Reid handles them by assembling evidence and voices rather than issuing verdicts. His data on mobility: born into the top 20 percent, you hold a two-in-three chance of staying at the top; born into the bottom 20 percent, less than one in twenty of reaching it. His diagnosis of inequality's engine: the rich today make most money not from wages but from capital, stocks, bonds and real estate. A Goldman Sachs chief executive, net worth in the tens of millions, supplies the establishment's own warning: grow the pie while too few enjoy the fruit and you will have an unstable society. And Justice Oliver Wendell Holmes Jr. frames the baseline: taxes are what we pay for civilized society, with the alternatives, expropriation, money-printing, borrowing and state commerce, ranging from scary to unsustainable.3

The Comparative Method as a Consulting Tool

Reid's approach deserves adoption beyond tax policy, because it is benchmarking done right. He does not ask whether the American system feels bad; he asks how a dozen peer countries solve the identical problem, quantifies the differences and traces them to specific design choices. The discipline transfers directly to organizational questions: before declaring a process broken, find three organizations facing the same constraint and document their designs, costs and outcomes. The comparison separates the necessary pain from the self-inflicted kind, exactly as the fifteen-minute Dutch filing exposes thirty American hours as choice rather than fate. It also inoculates against both complacency and fantasy, since real peer systems come with real trade-offs attached, visible in their data rather than imagined in their marketing. Consultants who master the method stop arguing from irritation and start arguing from evidence.

Opinions Need Evidence

Everyone holds opinions on taxes, usually that they are too high or misspent, and the closing challenge applies the classroom standard to all of them: can you back your argument with logic and data? Reid's comparative method models the answer, replacing outrage with evidence from countries that file faster, collect cheaper and argue from measured outcomes. Whatever position a reader lands on, landing there through international comparison beats inheriting it, and the thirty-hour filing weekend supplies annual motivation to think it through.

- 1T. R. Reid
- 2Value-added tax
- 3Oliver Wendell Holmes Jr.

Summary

Reid's comparative method exposes the filing burden, names Congress as the complexity engine and raises the consumption-tax question most economies answered long ago. Fairness questions turn on values and data alike. Hold opinions on taxes, and back them with logic and evidence.