



WOODS: This book, which I've just introduced to the folks, must have been such an undertaking. It exhausts me just thinking about writing what is essentially kind of like a skeleton history of civilization in order to cover the topic you're hitting on here, namely taxation. What on earth would motivate you to do such a thing?

FRISBY: You have no idea Tom. I had this idea that, you know in a zombie film, a trope of every zombie film is this idea of patient zero, the patient where the zombie virus starts. And the hero of the zombie film has to get to patient zero and either kill patient zero, or patient zero will give him the antidote that he needs to save the world. And I had this idea that the tax is patient zero in a society. If we want to fix our society, we need to fix our system of tax.

And I did a show at the Edinburgh festival about tax in 2016, and it was a tremendous success. It sold out, and I got a laurel and good reviews and all this kind of thing, and everyone was going, I can't believe all these interesting things about tax, and how did you make tax funny? It was a stand-up show. And one of the things that came out of the show was a book deal. I got a book deal with Penguin. And I thought to myself, the Edinburgh Festival finishes at the end of August, and I thought I can knock this book out before Christmas, between September and December, the three months over the autumn, or fall as you call it, and then I'll start work on my next year's Edinburgh show in January. And what I thought would take me three months took me three years.

WOODS: Oh my, that's a project.

FRISBY: It is. And as you say, there has never been a civilization without taxation, and the very first taxes were enacted in ancient Mesopotamia, you know, when man first settled. And it's probable that this idea of duty to the greater collective existed even in the hunter-gatherer societies that predated civilization. So as a result, I found myself, as you say, writing the entire history of civilization through the prism of taxation.

WOODS: But I bet there is a difference in the way people looked at it, because my feeling is that in ancient times, people understood clearly this is tribute or I'm being forced to do this against my will for heaven knows what reason. Whereas today, there's a much greater apparatus of propaganda around taxation, that, oh, it's actually voluntary. You actually consented to this; we have a social contract whereby we all agreed to abide by it. There's a huge apparatus surrounding it to get people to consent to it, whereas I think in the old days, it was probably more or less just brute force.

FRISBY: Well, there certainly was brute force, and you're absolutely right, where there's always this moral argument around taxation. You see even in the use of the word, things like tax as your *duty* was an old word used for taxation, and still is used today: of course, we have duties and tariffs on various goods. So there's always this moral argument, and yeah, the those who believe in large government, social democrats or even socialists, will try smear you as some kind of abhorrent person if you actually turn around and say, well, I don't actually think high taxes are a good thing and I don't necessarily think that government is the best way to provide educational or welfare or health care and so on. And I was just on a BBC radio program earlier in the week, on with a lady who's an MP for the Liberal Democrats, which is our sort of social democrat party, what would be sort of the equivalent to your Democrat

Party, although not as influential, but politically in the same place. And she called me repugnant for suggesting that high taxes aren't a good thing. Repugnant. I mean, how about that? So they will use – and it's funny, there's examples of this all through history. For example, in medieval times, if you didn't want to go to war to fight with your king, you would have a tax levied against you, and it was called the cowardice tax.

WOODS: Ah, how about that? The cowardice tax, okay.

FRISBY: A cowardice tax for knights who didn't want to go to the Crusades with their king. And in fact, funny enough, all through history, there is this relationship between taxes and war. And it's a weird sort of symbiotic two-way relationship where, if you want to end war, then end taxes, because without taxes, wars aren't possible. Wars are paid for with taxation, either during the event or through debt, which is of course a tax on the future. And debt is also taxation without representation. And then a war is about conquering a country, and then once that country is conquered, that country is plundered and then taxed.

But at the same time as wars are made possible by tax, taxes are made possible by war. And so for example, you know, it's very hard, there's a proven track record of governments trying to raise taxes during peacetime, and it making them extremely unpopular, and then them often being overthrown. But wars give them the excuse. And your great nation is a prime example of this. Until 1942, income tax was only paid by the very rich, and ordinary Americans were not affected by income tax. And then you had the 1942 Revenue Act, which brought income tax to every man. And what tends to happen is the war goes away, but the tax remains. Or the tax might come back a bit in peacetime, but it never goes back to the levels it was before the war started. So tax enables war, and war enables tax.

And by the way, there's a fantastic song that, if you can, you should play it on your program, that was commissioned in 1942 in order to make ordinary Americans celebrate the payment of income tax. And it was commissioned of the songwriter Irving Berlin and sung by Gene Autry, and the song goes, "I paid my income tax today. 1,000 planes to bomb Berlin, they'll all be paid for, and I chipped in." That's one of the lyrics. And so it was ever the link between war and tax. And this is supposed to be a happy song, but it's a very stark lyric when you think, "Let's see those bombers in the sky. Rockefeller helped to build them, so did I. "And this was to make it clear to Americans that their tax money was going to fund that war.

WOODS: Now, that's very interesting, especially when we contrast that with what goes on in US foreign policy these days. Because, yes, Americans were angry after 9/11, but it's 2019 now, and for heaven's sake, none of them could care less about what's going on in Iraq or most of these countries. And so when the US is engaged in, let's say, low-intensity wars there, or even frankly the most recent war in Iraq in 2003, it's being funded in different ways, because Americans are getting tax cuts during this time. And so to them, it seems costless. And I can understand during the 1940s, that there could be people who may well have been very happy to pay income tax because they looked at Hitler, and he seemed like a unique evil. But you look at these two-bit nobodies in the Middle East, and you think, really? Is this really why my standard of living should be lowered? So it looks like they're using something other than taxation, precisely for that reason.

FRISBY: Debt is the answer.

WOODS: Right, and you have a you have a chapter on debt and inflation.

FRISBY: I do, and taxes in America are lower than – the tax-to-GDP ratio in America is about 37, 38% or something like that, and in the UK, it's about 45, 46%. But it's much higher if you include debt and inflation, the debasement of money. But the first thing to note about debt is it is a tax on the future, but it is also taxation without representation, because the social democrat argument is, well, you're giving your vote every four or five years, and you vote for them, and you can say if you don't want these taxes through your vote. Now, of course, we all know how effective a vote is. You're choosing between Democrat and Republican; it's like

choosing between a serial killer and a mass murderer. But the nature of debt is it's also taxation without representation.

And let me give you an example of why that is, is because it's my kids who will be paying for the debt that's taken on by my government today. And World War I was fought between 1914 and 1918, and the UK only finished paying off its World War I debts in 2015, a hundred years later. Can you believe that? The debts of World War I were only paid back, finally paid down three years ago, four years ago. So I, who was born four generations, three generations after World War I, was paying for that war. And so debt, the way governments use debt, I regard it as deeply immoral.

And of course, that war in Iraq, I think it's fair to say, without sounding like too much of a conspiracy theorist, that the perpetrators of 9/11 – who oh my goodness me, should they be punished – but it wasn't Iraq. 9/11 was used as an excuse to get involved overseas in Iraq and take control of the tax base. Now, the tax base in Iraq, as well as the people, is of course its natural resources, is oil.

WOODS: Well, and that opens up quite a can of worms, and we've got so much to cover here –

FRISBY: Yeah, somewhere else. We'll leave that one hanging.

WOODS: Yeah, not that I don't want to talk about it, but I feel like I owe it to you as the author of this book to jump around a bit. You started to say –

FRISBY: I was just going to say, you just made me think of something, just in saying what you said. I'll tell you about an amazing war tax that was levied in the Napoleonic Wars. William Pitt was the English Prime Minister at the time of the Napoleonic Wars, and he was famous for taxing everything. And one contemporary said, "Wherever there is an object, he will tax it." And he taxed carriages; he taxed dogs; he taxed horses; he taxed cygnets, you know, your signet ring, he would tax it; your crest of arms, windows, glass; he taxed everything.

And among the many things he taxed was wigs and wig powder. And so because wig powder became so expensive, poor people could no longer afford it, because of the tax payable on wig powder. So they started using flour instead. And the result of that is it pushed the cost of flour up and made food, which was much more expensive on a relative basis back in those days because food production was far less efficient – it pushed food prices up. But there was a group of people who decided that they were opposed to the Napoleonic War, and in order to show their opposition, they stopped wearing wigs and cut their hair very short, according to the fashion of the continent. And so William Pitt's wig tax started a whole new fashion, and that's why we wear our hair short today. It all started with this bizarre wig tax of William Pitt. And the tax continued until 1869, when people had long since stopped wearing wigs and using wig powder.

WOODS: There are stories like this all throughout history. In fact, the primary theme of your book, I would say, involves how taxation has shaped the development of civilization. In fact, when you look back on it, it's interesting how many major historical events wind up turning on taxation, at least in part. Obviously, the American War for Independence had a great deal to do with taxation. But obviously, an American and British audience know all about that. But what would you say are lesser known areas of history where really they turned on something having to do with taxation?

FRISBY: Once you start to look for tax stories, and you start to look at the world through this prism of taxation, so much becomes clear, and suddenly things that were no longer explainable, suddenly you can understand why things happened as they did, why things are in the world as they are today, and why things will be as they are in the future, because tax is power. It is control. And whether it's a king or an emperor or a government, if they lose control of tax revenue, they lose their power.

And the way we're taxed at the moment, we tax labor very heavily, but we don't tax assets much at all. And so we have created a society that's incredibly unequal, and it's geared against the worker. The asset owner benefits in a way that the worker doesn't, because the worker constantly and heavily pays taxes.

Now, you can look through history, as you say, and every war, every single war was made possible by taxes, as we said. Even things like every great building, you think of things like the pyramids or the White House was built with tax money or the labor of taxpayers or in many cases slaves. And slavery is like 100% taxation, if you like, where you own none of your own labor. And you can even look at things like the Great Wall of China, where we think that the Great Wall of China was built to keep invaders out. As much as it was built to keep invaders out, it was built to protect tax revenue and tax goods coming in and out of China, particularly along the Silk Road. So buildings were built.

Every revolution, every revolt was a rising up, an attempt to overthrow power and get rid of some economic injustice perpetrated by the tax system. And of course, we have "no taxation without representation," the French Revolution, the Russian Revolution, the unfair taxes levied against the serfs in Russia. The Philippine Revolution began with the Cry of Pugad Lawin, in which he exhorted citizens to tear up their tax certificates. So it's not just wars and revolutions; it's revolts. But even things as apparently – you know, the first men on the moon. NASA was a tax-funded operation. The attack of the Twin Towers, the Twin Towers were largely built with taxpayers' money.

The birth of Christ: Mary and Joseph would not have been in Bethlehem had Augustus Caesar not levied that tax. They went there either to pay taxes or to fulfill their duties to the census, which was again for the purposes of taxes. Had Augustus Caesar not levied that tax, they would never been in Bethlehem, and Christianity would never have evolved in the way that it did. And eventually, by the same token, the eventual charge for which Jesus Christ was crucified was forbidding to pay tribute. In other words, tax was the reason that he was crucified. So at the birth of Christ and His death, there's a tax story.

And one of the things I used to do in my Edinburgh show, Tom, was actually to have the audience shout out events from history. And I would attempt to tell them the tax story behind that event. One of the only areas where there isn't a tax story, at least not obviously at first, is natural disasters. So the Great Fire of London or the Plague or the Indonesian tsunami or something like that. But even these events, there's always a tax story in the rebuilding effort afterwards. London was rebuilt on the proceeds of a coal tax.

And even the plague, which swept through Europe in the Middle Ages, there's a tax story there, in that the plague effectively destroyed feudalism, in that it killed so many people, suddenly there was a shortage of serfs, and the value of labor increased, and serfs were finally able to start charging for their labor, and they were given their freedom. And so did the poorest in society start handling money for the first time. And then again, once they were handling money, pretty soon after they were paying poll taxes, and their money was being taken from them.

And even the name you have, you have because of taxes, because again, until the 1200s, 1300s, 1400s, people had one named. And then when poll taxes started to be collected, leaders needed to differentiate people in order to levy taxes. And so you'd be called Tom Smith after the job you did. You were a Smith. Or you'd be called after a prominent geographical location where you lived, so it'd be Tom Smith as opposed to Tom from the Woods. Or you'd be named after your father, as opposed to Tom Johnson, you know, son of John. Or Tom MacLeod, Mac is another word for son. Or with the Irish O'Shay means Shay's son. So even the names you have, you have because of taxes. And now in China, surnames go all the way back to I think two and a half thousand years BC, and they were first imposed by the Emperor Fuxi. But even he imposed surnames for the very same reason, for the levying of poll taxes.

And it's just amazing how apparently unconnected things have got this tax story at their heart. And I suppose my big aim with this book is that, in the Enlightenment, one of the great periods of human development, all the great philosophers of the Enlightenment, among other things, they talked about the morals of taxes. And you think about today, libertarians talk about tax and they talk about how unjust income tax is in particular and rightly so. But generally speaking, the morals of tax are not debated in the way that they were during the Enlightenment in the second half of the 18th century. And so one of my aims of this book is to just tell as many amazing tax stories as possible and get people thinking about tax and talking about tax once again, because as I say, tax is the zero patient. So many of society's ills start with inequitable taxation. And if we're to make the world a better place, and I think all of us want that, the place to start is to fix our system of tax. And that's the one thing a politician really does have the power to do. Politicians often complain that there's only so much they can do, but they can fix our system of tax, and boy, oh boy, does it need fixing.

WOODS: Well, I want to say a little something, because I know you're very interested in cryptocurrency and you have some material in this book on that. In fact, I believe if memory serves, the chapter is called "Crypto: The Tax Man's Nightmare." And I'd like to talk about that, because from the point of view of an American where the tax laws now basically say that Bitcoin is not basically being treated like money, so that what happens is if I have some Bitcoin, and then the Bitcoin appreciates and then I spend it, I have to track the difference between the value of the Bitcoin when I bought it, the value of the Bitcoin when I got rid of it. I have to declare that as a gain and be taxed on it. That doesn't seem like a tax man's nightmare to me. It seems like the tax man is making Bitcoin impossible to use. What am I missing?

FRISBY: Well, you're absolutely right, and the bureaucracy involved with declaring your Bitcoin profits and losses if you use it on a daily basis to buy and sell stuff is such a nightmare that most people don't bother to do it, and they're non-compliant. And I guess they're breaking the law. And you see lots of what we call Bitcoin whales, the Bitcoin millionaires, they've just renounced their US citizenship. And you know, Roger Veer's gone to Japan. Others have gone to the Caribbean. A lot of Americans have just made so much money from it, they've just renounced their citizenship.

But I'll tell you why crypto is the tax man's nightmare. And that is, at the moment, income tax in its various forms is government's largest source of revenue. It accounts for roughly 50% of government revenue worldwide. And it's been so successful from the government's point of view, because it's been an easy tax to collect, because there is this clear relationship between employee and employer. And you can say to the employer, collect the taxes on behalf of this employee, and the taxes are deducted at source, and the employee never even had the money in his hands in the first place. Chris Rock says you don't pay tax, they take tax. That's a jack. And he's absolutely right.

Now, why crypto is the tax man's nightmare is that the nature of employment is changing. And more and more people are having multiple income streams. They're becoming freelancers, the gig economy, contingent workers, all these different words for it. And Ernst & Young have forecasted that by 2030 – so that's only 10, 11 years away – half the world's workforce will be what it calls contingent. And taxes are much harder to collect from contingent workers, because you have to tax them after the event.

Now, so just pop that thought for a moment, and then think of the nightmare that governments around the world have had taxing the intangible economy. Google, the internet, Apple, Amazon, Starbucks, all these genius ways by which these large corporations avoid paying tax quite legally. And they park their intellectual property in one place, whether it's a low-tax jurisdiction, and they just make use of different tax laws around the world. And this is one reason why the intangible economy has been so incredibly successful, because it hasn't had to pay the same amount of taxes that the physical economy has had to pay. And

government tax systems are designed around the physical economy that you can touch and see. They still haven't got used to the internet properly.

And now if you think of the problems it's had taxing these intangible corporations, what happens when workers becoming intangible as well? So of this 50% of the global workforce that will be contingent, maybe as much as 30% will do work in multiple jurisdictions around the world through the internet. Some of them will be digital nomads. They'll be traveling from one jurisdiction to the other. They spend less than 183 days in each country. They're no longer a resident of that country. And so we have things called non-doms in the UK, who are these extremely rich people who enjoy a special tax status. But the internet is going to make non-dom status possible for ordinary workers.

Now, 50% of digital nomads already today work in the crypto economy in some way, in the sense that they receive cryptocurrency as payment for their goods and services. And cryptocurrency makes sense to them because they work in the borderless economy that is the internet. It makes sense to be paid in borderless money. It's a pain in the ass if you're a Brazilian and you get paid in dollars, and you haven't got a US dollar bank account, and yada, yada, yada, and you happen to be in Thailand at the time or whatever. You know, Forex is a nightmare, and the internet still hasn't – well, it has sorted that out in the form of Bitcoin. Government money hasn't sorted that out.

But what do you do when suddenly your workforce who previously had been easily taxable are now suddenly not so easily taxable because the jurisdiction that the tax money they should be paying is not clear, and they're being paid in money over which you have no control? As a libertarian, that is a beautiful thing [laughing]. But it's a big headache for governments.

WOODS: Well, let me ask you what I think would be the major objection that you would get. People would say, well, these are interesting stories you're telling, but it seems a little bit perverse to be focused on taxation when the fact is we get all these wonderful benefits from taxation. I mean, look at all the good that's done with the public money. So to nitpick about the way it's collected, I mean, maybe that's a mild concern, but you set that against all the benefits of it, it seems trivial. What's the problem with that?

FRISBY: Well, again, this is one of those arguments that will never die. But is government the best means to provide the best possible education, the best possible welfare, the best possible health care at the lowest possible price? And I would argue no, it isn't. Certainly not education. Around the world, private schools outperform public schools. And the reaction shouldn't be to ban private schools. And there's something highly immoral about government setting school curricula. And we have the internet. It is the most powerful learning tool ever invented. Why do we need schools in their current form? Most of the syllabus that you learn at school is designed for a different age, and it's in very little real use in the world. How many schools make computer code obligatory? The guy who reads computer code in today's age, it's like being literate in medieval times. It just gives you such a huge advantage over everyone else. Computer code should be compulsory, if you believe in state education. And yet, I'm not sure about America –

But so there's so many flaws with government services in their current form. And I'm a great believer in the efficiency of markets, and if there's a problem, the market will fix it one way or another. And so much of what government currently does, education, we've got the internet. Health care, look at the way that Silicon Valley is trying to, as it puts it, solve the health care problem. There are so many ways by which – prevention, early warning signs, all these things that you get by using data in health care – there's so many ways by which the free market is already –

And you know, public transport. You look at something like Uber, it's so much better than public transport. Why do you even need public transport? Uber – and when we go to driverless cars, and sooner or later we will, it's going to be even cheaper. So my argument to that is: government is not the best possible way to provide these services at the lowest

possible cost at the highest possible standard. The free market does it better, but the free market could do it much better if government stayed out of it. And I actually had two chapters on the future of government services, but I took them out of the book because it was a bit long-winded. But that's the argument that I make, is that so many government services are just being made to look redundant by the free market and new technology.

WOODS: Well, the book is *Daylight Robbery: How Tax Shaped Our Past and Will Change Our Future*. I'll link to it at TomWoods.com/1541. Do you have a website?

FRISBY: I do, Tom, and do you know why it's called *Daylight Robbery*? Because that expression, which means "brazen theft," it actually derives from the window tax that we used to pay in Europe in the 1700s and 1800s, and when there was a big debate in Parliament as to whether we should get rid of the window tax or not, the MPs all cried out "daylight robbery," and that's where that expression derives from.

WOODS: It's terrific. I absolutely love it. So in addition to linking to your book on my show notes page, is there a website you'd like me to link to as well?

FRISBY: Sure, you can link to DominicFrisby.com/blog, and you can read some of the stuff I post on there. You can follow me on Twitter @DominicFrisby, and I think I've got a Facebook page, as well. Facebook/DominicFrisby. I'm on all the usual social media if people want to argue with me.

WOODS: Okay, DominicFrisby.com/blog. So okay, I'll link to that stuff at TomWoods.com/1541. Go check out *Daylight Robbery*, folks, because you're going to learn a lot of interesting material. And thanks so much for your time, Dominic, I appreciate it.

FRISBY: Thank you so much for having me, Tom. You're a great interviewer.