



Written by [Bruce Walker](#) on March 31, 2011

Singapore Tax Rates Encourage Prosperity

Americans who look around Washington and despair of finding any ideas that can lift the nation out of economic doldrums, ethnic and racial divisions, and foreign entanglements can find few examples of well-run countries around the world.

China, still ruled by communist cliques, is a thuggish land which tries, as the Nazis did, to keep their subjects in check by modest affluence and one-party rule. Russia, governed by a KGB officer (what would the world have thought if post-war Germany had been governed by a Gestapo officer?) still reeks of the corruption of Soviet rule. The politically-correct Europeans cannot even defend their borders or culture from rising Islam, and find Sharia law beginning to extend all the way into Sweden. The demographics of this continent will create burgeoning entitlements when the next class of citizens retires which can only be met by making all younger Europeans into drones who work just to pay their parents' retirement benefits.



There is little south of the border that Americans want to copy. Hugo Chavez is tightening his chokehold on a once functioning democracy. When democracy does work in Latin America, it often produces quasi-Marxist regimes, such as that in Brazil. Costa Rica, admirably, has no army and does have the rule of law, but this small Central America republic is the exception.

Africa, with few exceptions, is unstable from Libya to Zimbabwe; the vast continent is full of growing Islamic militants, old Marxist leaders, and outright goons. Pundits are always hopeful that the next Mubarak will be better than the last one, but all too often the new, improved junta ends up as an aging bunch of gangsters led by a "President for Life." When have these men ever given up power?

There are, however, some nations that can show Americans the way back to their roots. Switzerland is one such land. Alone among the European neutrals, the Swiss refused to let Nazi military forces move through their small country. In fact, the small but effective Swiss Air Force actually shot down German planes that violated their air space (ironically, using Messerschmitt Bf 109 fighters bought from Germany). Neither did they allow Allied warplanes to cross their airspace. The Swiss have practiced strong local government, investment-oriented finances, and strict neutrality, and have preserved their customs and traditions.

Another small nation has also succeeded where others have failed. Singapore is barely a nation. It has 700 square miles with about 3 million people. Like Switzerland, Singapore is made up of a number of



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different religions and nationalities. There are Buddhists, Christians, Muslims, and Hindus in significant numbers. Ethnically, Singapore is a blend of Chinese, English, Malay, Tamil and other groups — all crowded together into one of the most densely population nations on earth. The standard of living in Singapore, like Switzerland, is very high. The different ethnic groups which make up both nations live in remarkable harmony. Both states possess small but potent military forces which are intended solely for self-defense. Singapore seeks good relations with any nations which are willing to get along with it. The island nation enjoys very low tax rates, with business and individual income taxes among the lowest in the world. The government lives within its revenues, so the Singapore dollar ranks on many indices as the second most stable currency in the world...after the Swiss franc. Singapore encourages business, promotes commerce (it is the fifth busiest port in the world), and insures the industrious and thrifty that their work will not be confiscated by taxation or by government-induced inflation.

How serious is Singapore about this long term strategy? Consider that the tiny country is now lowering its tax rates. Individual marginal income tax rates for a person making \$80,000 to \$120,000 are being cut from 14 percent to 11.5 percent. The marginal tax rates for corporate profits over \$200,000 is being cut from 8.5 percent to 6.8 percent, and marginal corporate tax rates at higher levels are being reduced from 17 percent to 13.6 percent. This sort of attitude toward business stimulates outside investment and, just as important, it encourages the citizens to be as productive and efficient as they can.

Why can Singapore afford to lower tax rates? The island nation consistently runs a budgetary surplus, which is returned to taxpayers rather than spent on government. Beyond that, the increased productivity of the citizens, even when taxed at a lower rate, means more government revenues and an even strong Singapore dollar. Anything else? Well, Singapore grants a great deal of freedom to business: Heritage House ranks it as the second freest economy in the world, after Hong Kong.

Low taxes, budgetary surpluses, low regulation, and stable currency: these keys have made Switzerland and Singapore success stories. Is anyone in Washington listening?

Photo: Port of Singapore



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