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## **What Good Are Republicans If They Can't Protect Us From Class Warfare?**

By Jim Powell – 11/8/2012

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Romney lost for several reasons. The bulk of his primary advertising seems to have been spent attacking opponents, rather than defining himself, with the consequence that by the time the primaries were over, his reputation was a blank slate as far as the general public was concerned – an irresistible target for Obama's early advertising blitz that defined him as an out-of-touch rich guy who destroyed American jobs. Romney was on the defensive from the get-go.

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William Wrigley started out selling baking powder, and he thought that including a free pack of chewing gum would help. When the chewing gum proved more popular than the baking powder, he dropped the baking powder and made his fortune producing chewing gum. He used some of his money to build the gleaming white Wrigley Building, a major Chicago landmark.

In Lancaster, Pennsylvania, Frank W. Woolworth opened the "Great Five Cent Store" that pioneered the marketing of cheap stuff for poor people. Their purchases enabled him to build a cathedral-like building that still stands in Lower Manhattan.

Class warriors have suggested that entrepreneurs control consumers, but the Austrian economist Ludwig von Mises exploded that fallacy: "A 'chocolate king' has no power over the consumers, his patrons. He provides them with chocolate of the best possible quality and at the cheapest price. He does not rule the consumers, he serves them. The consumers are not tied to him. They are free to stop patronizing his shops. He loses his 'kingdom' if the consumers prefer to spend their money elsewhere."

Class warfare isn't a matter of high-minded ideals like "social justice." It's a matter of nasty political struggles, as politicians use government power to seize property from their adversaries and distribute it among their supporters.

In the Soviet Union, the communist regime seized property from so-called "rich" people who were actually Ukrainian peasants with a cow, and millions starved to death.

The power to seize somebody else's property promotes chronic corruption. For instance, Zaire's Mobutu Sese Seko, who gained power in a military coup, enriched himself by seizing practically everything in sight. Economist George Ayittey reported that "Embezzlement, fraud, theft, illicit economic ventures, including widespread smuggling and export-import swindles, were pandemic." Interviewed on CBS *60 Minutes*, Mobutu bragged that he was worth some \$8 billion. He owned properties, including mansions and vineyards, in Belgium, France, Portugal, Spain and Switzerland.

Communist China continues to honor the Marxist mantra "from each according to his ability, to each according to his need" – but the *New York Times* recently reported that the rulers seem to live by different rules. China's prime minister Wen Jiabao, his family and relatives mysteriously gained control of assets worth billions. They have used secret bank accounts to conceal ownership of resorts, telecommunication companies, infrastructure projects and more. The *New York*

*Times* quoted an unnamed communist official as saying, “In the senior leadership, there’s no family that doesn’t have these problems.”

Naturally, private citizens fear and resent seizures. In 1970, as Chile’s Marxist-Leninist President Salvador Allende promoted expropriation in the name of social justice, land owners armed themselves. Shopkeepers organized resistance. Families hid their silver and jewels. Many people fled the country. There were strikes, riots, runaway inflation and eventually a military coup in which Allende was killed.

Because Obama and so many other politicians have promote class warfare, the public must be educated about its hazards.

Ronald Reagan was especially good at this. He had an amazing command of the obvious.

For example, he explained in plain language that “The more government takes in taxes, the less incentive people have to work. What coal miner or assembly-line worker jumps at the offer of overtime when he knows Uncle Sam is going to take sixty percent or more of his extra pay? Any system that penalizes success and accomplishment is wrong. Any system that discourages work, discourages productivity, discourages economic progress, is wrong.

“If, on the other hand,” Reagan continued, “you reduce tax rates and allow people to spend or save more of what they earn, they’ll become more industrious; they’ll have more incentive to work hard, and money they earn will add fuel to the great economic machine that energizes our national progress. The result: more prosperity for all.”

When Reagan took office in 1981, he proposed a 10 percent across-the-board personal income tax cut each year for three years. There didn’t seem to be much, if any, political pressure for enacting steep progressive rates, because the top rate was already 70 percent. Reagan encountered resistance to the magnitude of the tax cut, and he compromised at 25 percent. This tax cut helped spark one of the most prosperous eras in U.S. history.

Reagan faced political pressure to push more of the tax burden onto business, a common target for class warriors. Here’s how he educated Americans on common fallacies about business taxes, in a 1981 speech:

*“Some say shift the tax burden to business and industry, but business doesn’t pay taxes. Oh, don’t get the wrong idea. Business is being taxed, so much that we’re being priced out of the world market. But business must pass its costs of operations – and that includes taxes – on to the customer in the price of the product. Only people pay taxes, all the*

*taxes. Government just uses business in a kind of sneaky way to help collect the taxes. They're hidden in the price; we aren't aware of how much tax we actually pay."*

This is such simple language, it might seem unexceptional, but few U.S. presidents have said anything like it.

If GOP leaders are ever going to learn how to protect American taxpayers from class warfare, now is the time. There's sure to be plenty of it during the next four years, starting sooner rather than later.

*Jim Powell, a senior fellow at the Cato Institute, is the author of FDR's Folly, Wilson's War, Bully Boy, Greatest Emancipations and the forthcoming The Fight For Liberty, among other books.*