

A 25% Top Tax Rate

<http://www.futureofcapitalism.com/2011/03/a-25-top-tax-rate>

Roughly ten years ago there was a small dinner in Brooklyn Heights to mark the departure of Amity Shlaes from the editorial board of the Wall Street Journal and her accession to a column at the Financial Times. The dinner was held at a now-defunct restaurant around the corner from the home of the then-editor of the Journal, Robert L. Bartley. Another editor in attendance was Robert Thomson, then the editor of the U.S. edition of the Financial Times, now the managing editor of the Wall Street Journal.

As entertainment for the dinner I had a hand in creating a fake newspaper front page of the combined Financial Street Journal, or Wall Street Times, or WSJFT, or something to that effect. In the upper righthand corner of the page, where the newspaper's single-copy price usually goes, I put a figure that wasn't denominated in Euros or dollars or even in fractions of ounces of gold. It was a percent. 25%, it said, and while it was the kind of joke that would resonate only in a certain kind of crowd, it elicited from Bartley, who died in 2003, one of his trademark cackles. To the guests at the dinner who failed to comprehend, the supply-siders in attendance explained that for a whole variety of reasons, 25% is about the top tax rate that should apply.

Indeed, in the conclusion of her 1999 book on taxes, [The Greedy Hand: How Taxes Drive Americans Crazy and What to Do About It](#), Miss Shlaes recommended, "A constitutional amendment that calls for limiting federal taxes, including Social Security, to 25 percent of our income, or even a lower share, would be an important first step out of the logjam."

Nor was she the only one. In a 1997 [letter to the editor](#) of the New York Review of Books that appeared under the headline "No Laffer Matter," Jude Wanniski, another former Bartley colleague at the Journal and a significant figure in supply-side economics, wrote, "Democratic liberals who have sainted John Maynard Keynes for a great many good reasons are silent when you bring up Keynes's argument that because of the law of diminishing returns, no tax rate should be higher than 25 percent."

Daniel Mitchell, a tax policy expert at the Cato Institute, [wrote](#) on his personal blog in 2010:

Keynes also seemed to understand the importance of limiting the size of government. [He wrote that](#), "25 percent taxation is about the limit of what is easily borne." It's not clear whether he was referring to marginal tax rates or the tax burden as a share of economic output, but in either case it obviously implies an upper limit to the size of government (especially since he did not believe in permanent deficits).

Mr. Mitchell's link is to a book by Bruce Bartlett, another figure who stood on the supply-side side of the tax policy debates.

The president of Americans for Tax Reform, Grover Norquist, in the interview with the Harvard Crimson we linked to [here](#) last year, [said](#), "We have a corporate tax rate of 35 percent, when the average in Europe is 25 percent. We ought to at least take our corporate tax rate to 25 percent. Our personal tax rate, now at 35 percent, should go to 25 percent. Serfs in medieval Europe were taxed 20 to 25 percent. I don't think we should be taxed higher than serfs."

I give all this background as context to today's Wall Street Journal news headline, "Tax Plan Aims for 25%

Cap." The [article](#) reports on an interview that the new chairman of the House Ways and Means Committee, Republican Congressman Dave Camp, gave to the Journal, and says that Mr. Camp "wants to cut the top U.S. tax rate to 25% for individuals and corporations."

It's not clear from the article whether Mr. Camp means 25% on top of the payroll tax or including it. But his use of the 25% number suggests he is tapped in to the strain of thought represented by Shlaes, Mitchell, Wanniski, and Norquist, and perhaps that he'd even get the joke of that parody newspaper front page from a decade ago. The news article in the Journal offers no sign that the reporter understands the symbolic significance or resonance of the 25% level, and no explanation of it to readers. But to those who are familiar with that symbolism, Mr. Camp's choice of a top tax rate is sure to attract some attention.

by Ira Stoll | Mar 16, 2011 at 11:10 pm

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