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### Cato Institute: The Price of High Taxes

August 13th, 2009 · [No Comments](#)

[Doug Bandow](#) of the Cato Institute writes in [The Price We All Pay for High Tax Rates](#) that:

Politicians tend to like high tax rates because they believe it yields more revenue for them to redistribute. Yet the perverse incentive effects of high rates tend to limit the increase in revenue, since the higher the rates, the more worthwhile are tax avoidance activities. At some point it becomes better to consume than invest and play than work, since the rate of return is so low.

Bandow says that even when politicians start out by supporting tax increases on only rich people they invariably end up taxing the middle-class, too:

President Barack Obama wants Americans to believe that they can enjoy all of his proposed programs without paying for them because “the rich” will cover the cost. Alas, this is a dangerous political fantasy. Taxing “the rich” will only be the start. To get real money, the big spenders are going to have to tax the middle class as well. There ain’t no such thing as a free lunch—or a free government program!

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