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## ***Cain's 9-9-9 plan has very real problems***

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Soundbytes are always a way to gain support, and we're frequently heard Herman Cain mention his 9-9-9 tax plan during debates and news reports from the stump. But is it a serious tax proposal or a gimmick that we can add to the [growing list of problems with the Cain](#)? Kevin Williamson, managing editor the conservative *National Review* and author of *The Politically Incorrect Guide to Socialism*, explains why it's a cheap rhetorical tool, [not a serious policy proposal](#):

[L]et's take a look at 9-9-9 on its own merits. Mr. Cain says the proposal would be revenue-neutral. I have my doubts. The federal government took in about \$2.2 trillion last year. Based on personal-income and business-income figures from the IRS, and consumer-spending figures from the Gallup survey, my English-major math suggests that a 9 percent tax on all of the above produces about \$1.7 trillion in revenue, meaning that 2010's \$1.7 trillion deficit would have been more like a \$2.2 trillion deficit — from calamity to catastrophe. If Mr. Cain's team is building in some growth assumptions into the fiscal forecasts, they must be sunny indeed.

In any event, Mr. Cain has not spelled out in any detail a spending proposal that would allow the federal government to get by on \$2.2 trillion, much less on \$1.7 trillion. If the Tea Party stands for anything, it stands for smaller government, meaning lower spending. And yet the allure of magical thinking on taxes is so powerful that the tea-party favorite has given a great deal more detail about his tax proposals, with actual figures and everything, than he has about his spending proposals, which remain remarkably vague: Spending must be "reviewed with a keen eye and a red pen," he says. Well, gee willikers, why didn't I think of that? (Other than his pie-in-the-sky growth assumptions, my least favorite thing about Herman Cain is that his response to every challenge is to appoint a committee of smart guys to do the right thing. He seems incapable of appreciating the fact that moral failing is not the only reason Washington fails to do the right thing.) As I have argued before, the real danger of tax-cuts-and-growth utopianism is that it draws attention away from spending cuts, which is where the real action is needed. Mr. Cain is nibbling at that bait.

The 9-9-9 proposal also creates some perverse incentives. With business income taxed at 9.0 percent while dividends and capital gains are taxed at 0.0 percent, there is an excellent reason to pay out something approaching 100 percent of business income as dividends, or to hide it by "reinvesting" it in the business. I like dividends and am sympathetic to the case for giving them preferential tax treatment — a company that concentrates on paying a high dividend rather than on raising its share price probably is a better-behaved company, in most cases — but it is always and everywhere true that if government creates a tax shelter it will be exploited to maximum effect.

What about that national sales tax? Though I remain hesitant about imposing a federal sales tax, on both Burkean and prudential grounds, Andrew Stuttaford and others have argued persuasively that income shouldn't carry the entire tax burden, and that consumption has to carry a piece, too. I can live with that. But Fair Tax enthusiasts ought to be ready to deal with the emergence of a very large black market in untaxed consumer goods — a 30 percent sales tax will ensure that. You may get to abolish the IRS, but the sales-tax enforcers might prove just as expensive and intrusive.

Dan Mitchell, an economist at the [Cato Institute](#), likes the theory behind the plan, but [notes that it has a glaring problem](#); implementing a national sales tax without abolishing the the federal income tax:

[H]ere's the problem. If you happen to be one of those people (such as me) who does not trust politicians, then we run [a grave risk if we ever let the crowd in Washington impose any sort of national sales tax without first getting rid of all income taxes](#).

I have faith that Herman Cain's heart is in the right place, but years of experience in Washington have taught me to always assume politicians will grab more power and more money at every possible opportunity.

[...]

Let me put it more bluntly. A national sales tax – such as a Fair Tax or [a VAT](#) – would be a less destructive way of raising revenue than the current tax system.

But any form of national sales tax, if imposed on top of the income tax, would be a disaster. The experience of Europe shows that national sales tax are a money machine for big government.

This is why [a national sales tax can only be put on the table after the income tax is repealed](#). But since I don't trust politicians, we need to also amend the Constitution to repeal the 16th Amendment that allowed income taxes.

Cain says that he isn't worried about a Congress trying to raise the rates down the road because his bill would require a 2/3 majority to raise taxes. But there is a [constitutional problem with that](#):

The biggest is that creating a legal requirement binding future Congresses to impose supermajority requirements on themselves to change tax law is likely unconstitutional. That means Cain's plans would either need to change the Senate rules directly, or the Constitution itself. In either case, he'd need a two-thirds vote in the Senate *just to pass his 9-9-9 plan*. And that's not gonna happen.

“Senate rules, ok; but one legislature cannot bind another,” emails Charles Fried, a Harvard law professor who served as Solicitor General under Ronald Reagan.

While I understand the importance of tax reform, Cain has not been clear on what spending he wants to cut or how he'll deal with entitlements, which are more pressing

matters given that they are eating a significant part of the federal budget. We do know, however, that he [won't cut defense spending](#) even though we're [spending the most in that area of the budget since World War II](#).

Despite his recent rise in the polls, which is all but certain to disappear in due time, Cain [will be missing in action from the campaign trail for the next month](#) as promotes his new book, which should prompt Republicans to question his seriousness, especially as the primaries are just over 90 days away; hardly actions of viable candidate for the presidency.