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Book Review: When envy became public policy

By Herman Cain - 11/5/2012

"The trouble with our liberal friends is not that they're ignorant; it's just that they know so much that isn't so," Ronald Reagan once said. He might have been talking about tax policy.

Stephen Moore's latest book, "Who's the Fairest of Them All?: The Truth About Opportunity, Taxes, and Wealth in America," fairly sets our liberal friends straight on the issue that seems to be confusing President Obama and the general American public a lot - economics and, in particular, tax policy.

Mr. Moore, the senior economics writer for the Wall Street Journal's editorial page, formerly president of the Club for Growth and a fellow of the **Cato Institute** and Heritage Foundation, has an encyclopedic knowledge of the tax fights of the 1980s. He condenses that nearly three decades in public policy in a slim 119-page volume that is an accessible and thorough guide to understanding economic growth. He understands that if we don't learn the lessons of the past, we're bound to repeat the follies, and so he has taken aim squarely at their chief originator, President Obama. While Mr. Obama may think of himself as Snow White - "the fairest of them all" - when it comes to taxing, he's really Dopey, treating the world as if the Laffer Curve didn't exist, as if food stamps and unemployment insurance actually grow the economy.

We should have seen this coming. It wasn't so long ago that Charlie Gibson asked candidate Obama about his support for hiking the capital gains tax, given the historical experience that whenever government increases that tax, it loses revenue. After much back and forth, Mr. Obama insisted: "Well, Charlie, what I've said is that I would look at raising the capital gains tax for purposes of fairness."

Four trillion dollars of debt later and 4 million jobs fewer than four years ago, we have learned that what Mr. Obama meant by fairness was actually going to make the tax code far less fair. The richest 1 percent of taxpayers already pay almost 40 percent of all income taxes, but still Mr. Obama wants more, threatening the "fat-cat bankers" with higher taxes. Mr. Obama wants a tax rate of 42 percent on anyone making more than \$250,000. In some states, taxation could well be more than 50 percent. Capital is a coward, and Mr. Obama has put the fear of uncertainty into capitalists. Take it from me, it's hard to grow the pie - and thereby, hire more workers - when you are unsure how Washington is going to be

divvying it up or what new rule it will come up with next. Mr. Moore points out that we've added 5,000 pages to the tax code in just the past 10 years.

Mr. Obama would like to have you believe it's the rich whose taxes will go up, but the fact is that the poor and the middle class get stuck with the consequences. At the same time Mr. Obama threatens to raise taxes on capital gains and therefore discourage people from investing, he has gutted the most successful anti-poverty program ever - the 1996 welfare reform law - turning our safety net into a safety hammock. It doesn't have to be this way. Once upon a time, envy used to be a sin, but now it's public policy. We can change that.

Economic growth could return again. With the help of groups like the Job Creators Solutions, which I co-founded with Bernie Marcus, we can begin to help employers educate employees about why it is so pivotal - for the rich and poor alike - that growth continue.

"We tried tax cuts, and it didn't work," Mr. Obama claimed. He's wrong. Experience is clear - be it from the Harding-Coolidge cuts of the 1920s, the Kennedy cuts of the 1960s, the Reagan cuts of the 1980s or the Bush cuts of the 2000s - taxing and spending doesn't work, but cutting taxes grows the economy and brings in more revenue. As John F. Kennedy once put it, "A rising tide will lift all boats." However, Mr. Obama, who once promised to control the tides, wants to control economic growth.

Has Mr. Obama reduced taxes on the middle class as he claims? Not quite. His tax-refundable credits cost the Treasury \$81.49 billion a year. They are "welfare payments that masquerade as tax cuts," Mr. Moore rightly notes. I agree with Mr. Moore that it would be fair if everyone paid at least something, but I think he may be overstating it a tad. The poor do pay taxes - they just pay them in forgone opportunity rather than with a check. Poor people aren't stupid; they're just poor. They know things aren't working in this country, and while they may not connect it to the tax rate, they too know something is amiss.

My 9-9-9 plan and discussion of opportunity zones was to start that conversation. Mr. Moore favors a flat tax and eliminating the corporate tax. I'm willing to negotiate. Are Congress and the president?

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WHO'S THE FAIREST OF THEM ALL?: THE TRUTH ABOUT OPPORTUNITY, TAXES, AND WEALTH IN AMERICA

By Stephen Moore

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