

Chicago Boyz\*



(Who are the people in the photos?)

\*Some Chicago Boyz know each other from student days at the University of Chicago. Others are Chicago boys in spirit. The blog name is also intended as a good-humored gesture of admiration for distinguished Chicago boys including those pictured above (we claim no affiliation), and others who helped to liberalize Latin American economies.



Web  ChicagoBoyz.net

**amazon Game Downloads**  
 Try Every Game Free. Download Now.    
 Privacy Information

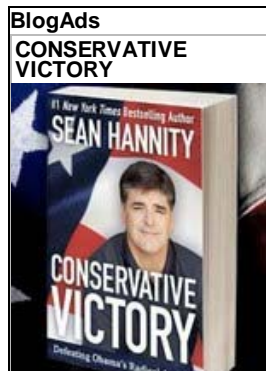
Search Amazon:



**Premium BlogAds**  
[Advertise here](#)



<a href="#">Very Well Said.com</a> Best-Selling Books by Topic	
<a href="#">Military History</a>	(Top Rated)
<a href="#">British History</a>	(Top Rated)
<a href="#">Middle East History</a>	(Top Rated)
<a href="#">Land Battles</a>	(Top Rated)
<a href="#">Naval Warfare</a>	(Top Rated)
<a href="#">Air Warfare</a>	(Top Rated)
<a href="#">9/11</a>	(Top Rated)
<a href="#">Terrorism</a>	(Top Rated)
<a href="#">Legal History</a>	(Top Rated)
<a href="#">IP Law</a>	(Top Rated)
<a href="#">Guns</a>	(Top Rated)



The time has come.  
We must unite - and turn the tide before it's too late.  
Read Sean's new book and take your stand against Obama's liberal agenda.  
Our CONSERVATIVE VICTORY starts today!

[Click here to order your copy now.](#)  
[Read more...](#)



[Fox: Obama to sign new CO2 restrictions by executive order](#)

["Suicide is generally considered taboo in Hinduism, the religion of most Indians, because it disrupts the cycle of reincarnation that is central to the soul's progress...."](#)

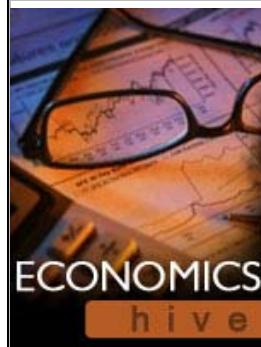
[Day By Day March 31, 2010 – Beats Me](#)

[Item #3: Hurray for Bill O'Reilly](#)

[Out and About on a Wednesday Morning](#)

[Thune for President?](#)

[Read more...](#)



[Thank goodness they aren't saying it will reduce gas prices](#)

[Once upon a time when dissent was the highest form of patriotism](#)

[What's the Big Fat Deal?](#)

[NYT's Zernike: Tea Partying Something To Do While Unemployed, Collecting Govt. Benefits](#)

[Attracted to Evil?](#)

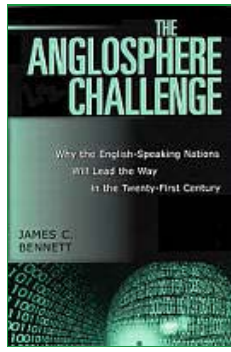
["10 classic ad-lib and off-script movie moments"](#)

[Self-Esteem vs Self-Respect](#)

[Read more...](#)

[Advertise here](#)

-----



[The Anglosphere Challenge](#)

"Restore(s) a little sanity into current political debate" - *Kenneth Minogue, TLS* "Projects a more expansive and optimistic future for Americans than (the analysis of) Huntington" - *James R. Kurth, National Interest* "One of (the) most important books I have read in recent years" - *Lexington Green*

-----

<b>intrade</b>
<b>Contract</b>
DeLay guilty laundering
UK Labour wins next Gen. El
UK announces intent to adop
Any country drops Euro by E
Dems control US Senate afte
Dems control US House afte
Dems win presidency in 201
Palin runs for president
Palin is 2012 Repub. nomine
Romney is 2012 Repub. norr
China overt Mil action vs Tai
USA/Israel bomb Iran by De
Japan goes nuclear by Dec 3
USA recession 2010
Cap and Trade by Dec 31 20
Public Option approved by Jc
Highest marginal US tax rate
Highest marginal US tax rate
Highest marginal US tax rate
US VAT/GST/sales tax by De
US credit rating lowered by
AWB reinstated by Dec 31 2
Google Lunar X Prize won by
Virgin Galactic suborbital by
Higgs Boson Particle observ



- [Log in](#)
- Problem? Question? [support@chicagoboyz.net](mailto:support@chicagoboyz.net)
- Contact Contributors: [jonathan@chicagoboyz.net](mailto:jonathan@chicagoboyz.net)  
[shannonlove@sbcglobal.net](mailto:shannonlove@sbcglobal.net)
- [Blog Posts \(RSS 2.0\)](#)
- [Blog Posts \(Atom 0.3\)](#)
- [Incoming Links](#)

- **Feeds**

Blog Comments:

<b>Grazr</b>	View
--------------	------

---

## • Authors

[Andy B](#)  
[Captain Mojo](#)  
[Carl from Chicago](#)  
[Carl Ortona](#)  
[Dan from Madison](#)  
[David Foster](#)  
[demimasque](#)  
[Ginny](#)  
[Helen](#)  
[In-Cog-Nito](#)  
[James C. Bennett](#)  
[James McCormick](#)  
[James R. Rummel](#)  
[Jay Manifold](#)  
[John Jay](#)  
[Jonathan](#)  
[Joseph Fouche](#)  
[Leif Smith](#)  
[Lexington Green](#)  
[Mitch Townsend](#)  
[onparkstreet](#)  
[Ralf Goergens](#)  
[Shannon Love](#)  
[Smitten Eagle](#)  
[Steven Den Beste](#)  
[TM Lutas](#)  
[Val MacQueen](#)  
[Verity](#)  
[Zenpundit](#)

## • Notable Discussions

[Clausewitz Roundtable](#)  
[Osinga Roundtable on \*Science, Strategy and War\*](#)

[Lancet Iraq Study](#)

## • Recent Posts

- [Self-Esteem vs Self-Respect](#)
- [Image / Meme Needed](#)
- [Taxes and the Rich](#)
- [Around Chicago](#)
- [Waking Up That Wind Isn't The Solution](#)
- [Two COINs for a Sunday Night](#)
- [Happy Warriors & Not-so-Happy Ones](#)
- [Images, Analogies, and Cooties](#)
- [To be clear....](#)
- [Questions For Our Jewish Readers](#)

## • Blogroll

- [2Blowhards](#)
- [A Brief History](#)
- [A Voyage to Arcturus](#)
- [Abu Muqawama](#)
- [Ace of Spades HQ](#)
- [Across the Bay](#)
- [Acton Institute](#)
- [Adloyada](#)
- [Afghan Quest](#)
- [Agoraphilia](#)
- [Alan Macfarlane](#)
- [Alan Macfarlane E-Books](#)
- [Alan Macfarlane YouTube](#)
- [Albion's Seedlings](#)
- [All That Is Necessary...](#)
- [ALTHOUSE](#)
- [AMERICAN DIGEST](#)
- [AMERICAN FUTURE](#)
- [American Rhetoric](#)
- [AMERICAN THINKER](#)
- [Antilibrary](#)
- [Architecture + Morality](#)
- [Arma Virumque](#)
- [Arnold Kling](#)
- [Arts & Letters Daily](#)
- [Assistant Village Idiot](#)
- [Asymmetrical Info. \(McArdle\)](#)
- [Atlantic Review](#)
- [AtlanticBlog](#)
- [Augean Stables](#)
- [Austin Bay Blog](#)
- [Austrian Economists](#)
- [Babalu](#)
- [Back Talk](#)
- [baldilocks](#)
- [Baseball Crank](#)
- [Becker-Posner Blog](#)
- [BeldarBlog](#)
- [Belmont Club](#)
- [Belmont Club \(archive\)](#)

- [Betsy's Page](#)
- [Between Worlds](#)
- [Big Government](#)
- [Big Hollywood](#)
- [Big Journalism](#)
- [Big Picture](#)
- [BillHobbs.com](#)
- [Bitch Girls](#)
- [BLACKFIVE](#)
- [BLDG BLOG](#)
- [Blog Them Out of the Stone Age](#)
- [Brian Micklethwait](#)
- [BritainAndAmerica.com](#)
- [Brits at their Best](#)
- [BrugesGroupBlog](#)
- [Brussels Journal](#)
- [Business Pundit](#)
- [BuzzMachine](#)
- [Cafe Hayek](#)
- [Calculated Risk](#)
- [Caroline Glick](#)
- [Catholicgauze](#)
- [Cato@Liberty](#)
- [Chase me, ladies...](#)
- [Chris Masse portal](#)
- [City of Brass](#)
- [Civilian Gun Self-Defense Blog](#)
- [Classical Values](#)
- [Clausewitz.com](#)
- [Cleveland Fed TIPS Inflation Estimates](#)
- [Climate Audit](#)
- [Clive Davis](#)
- [Club For Growth](#)
- [COMING ANARCHY](#)
- [Conservative History Journal](#)
- [contentions](#)
- [COUNTERCOLUMN](#)
- [Counterterrorism Blog](#)
- [Coyote Blog](#)
- [Crossroads Arabia](#)
- [Daily Pundit](#)
- [David Friedman](#)
- [David Pennock](#)
- [Davids Medienkritik](#)
- [Dealbreaker](#)
- [Declan McCullagh](#)
- [Defence and Freedom](#)
- [Defence of the Realm](#)
- [Defense of Jisr Al Doreaa](#)
- [Democratiya](#)
- [Demographia](#)
- [Derek Lowe](#)
- [Dinocrat.com](#)
- [Dirty Harry's Place \(conservative film crit\)](#)
- [Dissident Frogman](#)
- [Doctor Zero](#)
- [Don Surber](#)

- [Don Vandergriff](#)
- [Donald Luskin](#)
- [Dr. Frank](#)
- [DR. HELEN](#)
- [Dr. John Rutledge](#)
- [Dr. Weevil](#)
- [Dreaming 5GW](#)
- [Drudge](#)
- [Duck of Minerva](#)
- [Due Diligence](#)
- [Easy Opinions](#)
- [EconLog](#)
- [EconoPundit](#)
- [Eeben Barlow](#)
- [Eidelblog](#)
- [English Russia](#)
- [Enterprise Blog](#)
- [Enterprise Resilience Management Blog](#)
- [Eric Rasmusen](#)
- [EU Referendum](#)
- [eVoiceAmerica](#)
- [Evolving Excellence](#)
- [Fabius Maximus](#)
- [FAIL Blog](#)
- [Fama/French Forum](#)
- [Far Outliers](#)
- [Fausta's Blog](#)
- [Flit\(tm\)](#)
- [Free Market Fairy Tales](#)
- [FuturePundit](#)
- [Gary, Indiana info](#)
- [Gates of Vienna](#)
- [Gateway Pundit](#)
- [Gay Patriot](#)
- [Gene Expression](#)
- [Gerbil News Network](#)
- [Global Dashboard](#)
- [Global Guerillas](#)
- [Globalization Institute](#)
- [Greg Mankiw](#)
- [Guy Kawasaki](#)
- [Haft of the Spear](#)
- [Harry's Place](#)
- [Hell in a Handbasket](#)
- [HG's WORLD](#)
- [Hidden Unities](#)
- [History News Network](#)
- [Hit and Run](#)
- [Hog on Ice](#)
- [Hot Air](#)
- [How Appealing](#)
- [Huffington Post](#)
- [HughHewitt.com](#)
- [Iain Dale's Diary](#)
- [Iain Murray](#)
- [IBD Editorials](#)
- [In From the Cold](#)



- [India Uncut](#)
- [India's Forgotten War](#)
- [Information Dissemination](#)
- [Ink Spots](#)
- [Innocents Abroad](#)
- [Instapundit](#)
- [IRAQ THE MODEL](#)
- [iSteve.com](#)
- [Jihad Watch](#)
- [jihadica](#)
- [Jim Miller on Politics](#)
- [Joanne Jacobs](#)
- [Joel Kotkin](#)
- [Joel on Software](#)
- [John Lott](#)
- [John Robb's Weblog](#)
- [Jules Crittenden](#)
- [JustOneMinute](#)
- [Karl Rove](#)
- [Kausfiles](#)
- [Keith Hennessey](#)
- [Kenneth Anderson's Law of War and Just War Theory Blog](#)
- [Kent's Imperative](#)
- [Keshar Talk](#)
- [Kings of War](#)
- [Knowledge Problem](#)
- [Kudlow's Money Politic\\$](#)
- [Kunikov's Reviews](#)
- [Larry Sabato](#)
- [Lead and Gold](#)
- [Lean Blog](#)
- [Legal Insurrection](#)
- [Les Samiz](#)
- [Less than the Least](#)
- [libertas \(conservative film crit\)](#)
- [Life In The Great Midwest](#)
- [Likelihood of Confusion](#)
- [Likelihood of Success](#)
- [Lileks](#)
- [little green footballs](#)
- [Long Tail](#)
- [Long War Journal](#)
- [Lou Minatti](#)
- [Machinery of Night](#)
- [Maggie's Farm](#)
- [Manolo's Shoe Blog](#)
- [Marginal Revolution](#)
- [Mark Cuban](#)
- [Mark Urban](#)
- [MarketObservation.com](#)
- [Martin Kramer](#)
- [MaxedOutMama](#)
- [Memeorandum](#)
- [MEMRI](#)
- [Mere Rhetoric](#)
- [Meryl Yourish](#)
- [Michael Barone \(Beltway Confidential\)](#)

- [Michael Fumento](#)
- [Michael J. Totten](#)
- [Michael Ledeen](#)
- [Michael Yon](#)
- [Midas Oracle](#)
- [Middle East Strategy at Harvard](#)
- [Milt's File](#)
- [Moira Breen/David Fleck](#)
- [Mountain Runner](#)
- [Mr. James](#)
- [Mudville Gazette](#)
- [Muslims Against Sharia](#)
- [Mystery Pollster](#)
- [Natalie Solent](#)
- [Natl. Assn. of Manufacturers](#)
- [Naxalite Rage](#)
- [neo-neocon](#)
- [Neptunus Lex](#)
- [New Economist](#)
- [New Ledger](#)
- [New Majority](#)
- [Newgeography.com](#)
- [Newmark's Door](#)
- [Newsalert](#)
- [normblog](#)
- [Of Arms & the Law](#)
- [Oliver Kamm](#)
- [one small voice](#)
- [OnParkStreet](#)
- [Outside the Wire](#)
- [Overcoming Bias](#)
- [Overlawyered](#)
- [Pacific Empire](#)
- [Pajamas Media](#)
- [Paleo-Future](#)
- [Patterico's Pontifications](#)
- [Peaktalk](#)
- [Philippine Commentary](#)
- [PHOTON COURIER](#)
- [Phyllis Schlafly](#)
- [PodTech](#)
- [Political Theory Daily](#)
- [Power Line](#)
- [ProfessorBainbridge.com](#)
- [Public Interest \(Archive\)](#)
- [PUBLIC INTEREST.CO.UK](#)
- [Publius Pundit](#)
- [Puffin Movie Channel](#)
- [QandO](#)
- [Quid Plura?](#)
- [Raman's Strategic Analysis](#)
- [Rantburg](#)
- [Rasmussen Reports](#)
- [RConversation](#)
- [RealClearMarkets](#)
- [RealClearPolitics](#)
- [RealClearWorld](#)

- [Red Herrings](#)
- [Red Team Journal](#)
- [RedState](#)
- [Registan.net](#)
- [Rethinking Security](#)
- [Rethinking the United States](#)
- [Riehl World View](#)
- [Right Coast](#)
- [Risk Markets And Politics](#)
- [Robert's European History Blog](#)
- [roger l. simon](#)
- [Seablogger](#)
- [Searching for Signs](#)
- [Second City Cop](#)
- [Seeking Alpha](#)
- [Sense of Events](#)
- [Sepia Mutiny](#)
- [Seraphic Secret](#)
- [Sharp Knife](#)
- [Shlok Vaidya](#)
- [Shorpy](#)
- [Small Dead Animals](#)
- [Small Wars Journal](#)
- [Smitten Eagle](#)
- [soccer dad](#)
- [Social Affairs Unit](#)
- [Soldier of Africa](#)
- [SOOB](#)
- [Sound Politics](#)
- [Speculist](#)
- [Spengler \(Asia Times\)](#)
- [Spengler \(First Things\)](#)
- [St. Louis Fed Monetary Aggregates \(all\)](#)
- [St. Louis Fed Monetary Aggregates 1](#)
- [St. Louis Fed Monetary Aggregates 2](#)
- [Steampunk Chicago](#)
- [Steven Pressfield](#)
- [strange maps](#)
- [Strategy Page](#)
- [StrategyUnit](#)
- [Stuart Buck](#)
- [tdaxp](#)
- [TechCrunch](#)
- [The Antiplanner](#)
- [The Baseline Scenario](#)
- [The Best Defense \(Ricks\)](#)
- [The Colloquium \(Combined Arms Center\)](#)
- [The Committee of Public Safety](#)
- [The Corner](#)
- [The Glittering Eye](#)
- [The Interpreter](#)
- [The Middle Stage](#)
- [The Next Right](#)
- [The Offshore Balancer](#)
- [The Other McCain](#)
- [The People's Cube](#)
- [The Spectator](#)

- [The Strategist](#)
- [Think-Israel](#)
- [Thomas P.M. Barnett](#)
- [Thoughtful Ideas \(Alvin Rabushka\)](#)
- [Thoughts on Military History](#)
- [ThreatsWatch](#)
- [TigerHawk](#)
- [Tim Blair](#)
- [Tim Worstall](#)
- [Tinkerty Tonk](#)
- [Transterrestrial Musings](#)
- [Truck and Barter](#)
- [Trust Funds for Kids](#)
- [U.S. Naval Institute](#)
- [university diaries](#)
- [Villainous Company](#)
- [Virginia Postrel](#)
- [Visions of Empire](#)
- [Vodkapundit](#)
- [Volokh Conspiracy](#)
- [voluntaryXchange](#)
- [Walter Russell Mead](#)
- [Watts Up With That?](#)
- [Western Standard](#)
- [Westhawk](#)
- [Where the grass is greener \(now: Creaky Pavillion\)](#)
- [Winds of Change](#)
- [Windypundit](#)
- [Wretchard's Blogmap](#)
- [XRLQ](#)
- [YARGB](#)
- [Your Freedom and Ours](#)
- [ZenPundit](#)
- [zombietime](#)

## • Categories

- [Academia](#)
- [Advertising](#)
- [Afghanistan/Pakistan](#)
- [Americas](#)
- [Anglosphere](#)
- [Announcements](#)
- [Anti-Americanism](#)
- [Architecture](#)
- [Arts & Letters](#)
- [Aviation](#)
- [Bioethics](#)
- [Blogging](#)
- [Book Notes](#)
- [Britain](#)
- [Business](#)
- [Chicagoania](#)
- [China](#)
- [Christianity](#)
- [Civil Liberties](#)
- [Civil Society](#)

- [Clausewitz Roundtable](#)
- [Commiserations](#)
- [Conservatism](#)
- [Crime and Punishment](#)
- [Cuba](#)
- [Customer Service](#)
- [Diversions](#)
- [Economics & Finance](#)
- [Education](#)
- [Elections](#)
- [Energy & Power Generation](#)
- [Entrepreneurship](#)
- [Environment](#)
- [Europe](#)
- [Film](#)
- [France](#)
- [Germany](#)
- [Health Care](#)
- [History](#)
- [Holidays](#)
- [Human Behavior](#)
- [Humor](#)
  - [That's NOT Funny](#)
- [Immigration](#)
- [India](#)
- [International Affairs](#)
- [Internet](#)
- [Investment Journal](#)
- [Iran](#)
- [Iraq](#)
- [Islam](#)
- [Israel](#)
- [Japan](#)
- [Judaism](#)
- [Korea](#)
- [Latin America](#)
- [Law](#)
- [Law Enforcement](#)
- [Leftism](#)
- [Libertarianism](#)
- [Management](#)
- [Markets and Trading](#)
- [Media](#)
- [Medicine](#)
- [Middle East](#)
- [Military Affairs](#)
- [Miscellaneous](#)
- [Morality and Philosophy](#)
- [Music](#)
- [National Security](#)
- [New Orleans Tragedy](#)
- [North America](#)
- [Obama](#)
- [Obits](#)
- [Personal Finance](#)
- [Personal Narrative](#)
- [Philosophy](#)

- [Photos](#)
- [Poetry](#)
- [Political Philosophy](#)
- [Politics](#)
- [Polls](#)
- [Predictions](#)
- [Privacy](#)
- [Quotations](#)
- [Real Estate](#)
- [Recipes](#)
- [Religion](#)
- [Rhetoric](#)
- [RKBA](#)
- [Russia](#)
- [Schedules](#)
- [Science](#)
- [Science, Strategy & War](#)
- [Society](#)
- [Space](#)
- [Speeches](#)
- [Sports](#)
- [Statistics](#)
- [Style](#)
- [Taxes](#)
- [Tech](#)
- [Terrorism](#)
- [The Press](#)
- [Transportation](#)
- [Uncategorized](#)
- [United Nations](#)
- [Urban Issues](#)
- [USA](#)
- [Video](#)
- [Vietnam](#)
- [Vitamins](#)
- [War and Peace](#)
- [Xenophon Roundtable](#)

## • Archives

- [March 2010](#)
- [February 2010](#)
- [January 2010](#)
- [December 2009](#)
- [November 2009](#)
- [October 2009](#)
- [September 2009](#)
- [August 2009](#)
- [July 2009](#)
- [June 2009](#)
- [May 2009](#)
- [April 2009](#)
- [March 2009](#)
- [February 2009](#)
- [January 2009](#)
- [December 2008](#)
- [November 2008](#)

- [October 2008](#)
- [September 2008](#)
- [August 2008](#)
- [July 2008](#)
- [June 2008](#)
- [May 2008](#)
- [April 2008](#)
- [March 2008](#)
- [February 2008](#)
- [January 2008](#)
- [December 2007](#)
- [November 2007](#)
- [October 2007](#)
- [September 2007](#)
- [August 2007](#)
- [July 2007](#)
- [June 2007](#)
- [May 2007](#)
- [April 2007](#)
- [March 2007](#)
- [February 2007](#)
- [January 2007](#)
- [December 2006](#)
- [November 2006](#)
- [October 2006](#)
- [September 2006](#)
- [August 2006](#)
- [July 2006](#)
- [June 2006](#)
- [May 2006](#)
- [April 2006](#)
- [March 2006](#)
- [February 2006](#)
- [January 2006](#)
- [December 2005](#)
- [November 2005](#)
- [October 2005](#)
- [September 2005](#)
- [August 2005](#)
- [July 2005](#)
- [June 2005](#)
- [May 2005](#)
- [April 2005](#)
- [March 2005](#)
- [February 2005](#)
- [January 2005](#)
- [December 2004](#)
- [November 2004](#)
- [October 2004](#)
- [September 2004](#)
- [August 2004](#)
- [July 2004](#)
- [June 2004](#)
- [May 2004](#)
- [April 2004](#)
- [March 2004](#)
- [February 2004](#)

- [January 2004](#)
- [December 2003](#)
- [November 2003](#)
- [October 2003](#)
- [September 2003](#)
- [August 2003](#)
- [July 2003](#)
- [June 2003](#)
- [May 2003](#)
- [April 2003](#)
- [March 2003](#)
- [February 2003](#)
- [January 2003](#)

## • Copyright

All rights reserved. The copyright to any original material posted on the Chicago Boyz blog is owned by the author(s) of that material.

« [Around Chicago](#)  
[Image / Meme Needed](#) »

## Taxes and the Rich

Posted by [Carl from Chicago](#) on March 30th, 2010 (All posts by [Carl from Chicago](#))

 [Print This Post](#)



On the opinion page at the Wall Street Journal Alan Reynolds of the Cato Institute wrote an excellent article titled "[The Rich Can't Pay for ObamaCare](#)".

The key concept is what he describes as "the elasticity of taxable income" or ETI. ETI measures how taxable income is impacted as tax rates increase; if you use a rate of 0.5 you assume that an increase in tax rates that would yield \$1 if prior behavior held steady would yield 50 cents after the impact of behavioral changes is taken into account. However, instead of an ETI of 0.5, per the article:

For incomes above \$500,000, Treasury Department economist Bradley Heim recently estimated the ETI at 1.2 – which means that higher tax rates on the super-rich yield less revenue than lower tax rates.

The article describes, in practical terms, how rich individuals can take action that illustrates this ETI:

- dump dividend paying stocks (you will probably want to do this anyways because they are likely to fall in price because part of their value is tied to the reduced tax rate) when the 15% rate is raised
- avoid selling stocks with capital gains when the rate rises, or sell stocks with unrealized losses at the same time to



“net out” any gains owed to the government

- reducing income near the \$250k range when “phase outs” raise the MARGINAL tax rate to a very high rate through tax deferral strategies such as 401(k) contributions and the like
- consider becoming a one-earner couple instead of a DINK if the penalty on incremental income becomes too great to make up for the cost of child care and the general decremented quality of life

I really like this paragraph that should be an epitaph for tax policy:

Punitive tax rates on high-income individuals do not increase revenue. Successful people are not docile sheep just waiting to be shorn.

A sound tax policy has two main elements 1) it raises the amount of revenue that it is supposed to raise 2) it provides the minimal distortion of productive economic activity.

Super high tax rates on the rich accomplish neither of these two attributes. They don't raise the money as planned (in fact you could likely end up with LESS money overall) and they distort the economy by having our most valuable members of the economy step back from working at a time when their entrepreneurial drive is needed most to jump-start the economy.

Cross posted at [LITGM](#)

This entry was posted on Tuesday, March 30th, 2010 at 7:25 pm and is filed under [Taxes](#). You can follow any responses to this entry through the [RSS 2.0](#) feed. You can skip to the end and leave a response. Pinging is currently not allowed.

## 6 Responses to “Taxes and the Rich”

1. [Michael Kennedy](#) Says:  
[March 30th, 2010 at 7:58 pm](#)

We went through all this in the 40s and 50s and the record shows that income tax receipts do not change, even with 90% tax rates. I have a friend who is Swedish. She is an orthopedic surgeon here but she is very well informed on the situation in Sweden. They have a big step up in rates at an income level that is about, let us say \$150,000. The lethal step arrives about October 1st for most senior Swedish doctors. At that point, all the senior doctors head for the Mediterranean. You cannot find a senior doctor after October 1. Everyone knows it and acts accordingly.

There was another Swedish story that made [the New England Journal of Medicine](#) about 25 years ago. The short version was that the doctors were all on salary but there was a second system to encourage primary care. The doctor was paid seven crowns per patient visit to see patients in the clinic. This resulted, unsurprisingly, with all the senior professors seeing patients in the clinic while the junior house staff were doing all the complex surgeries upstairs. It finally came to the attention of the government which changed the compensation rules to encourage the professors to return to the hospital wards and allow junior staff to man the clinic.

There is a somewhat similar system in Germany in which the professor makes the incision in the surgery, then leaves the junior staff to complete the operation. He then returns to close the incision as patients often judge the quality of the surgery by the appearance of the scar. 60 Minutes once did one of their typically dishonest exposes on “ghost surgery” at Rochester when a famous professor of surgery allowed them to do a program on “surgical training” but when it was broadcast, it was on “ghost surgery” because the professor, whose name escapes me at the moment, allowed the chief resident to do much of his cases. I got the story from the chief resident at the time who happened to be black and was very angry about it. Anyone who chooses a teaching hospital knows that not every stitch will be placed by the professor. The Germans carried this to the extreme.

People are not sheep. They respond to incentives. If they didn't, we are wasting billions on advertising.

2. [methinks](#) Says:

[March 30th, 2010 at 8:33 pm](#)

*We went through all this in the 40s and 50s and the record shows that income tax receipts do not change, even with 90% tax rates.*

Michael, either I'm tired or your post contradicts your first sentence.

Even when tax rates were above 90%, nobody actually paid 90%. There were a million tax loopholes that Reagan traded in for lower marginal tax rates. In fact, according to Milton Friedman in "Capitalism and Freedom", the people subject to the 90% tax rate only paid 23%.

I look forward to reading the article, but I hope it covered the GDP effect. Other than reclassifying their income by investing in tax free munis (which would take another Supreme Court decision to make taxable by the Feds) or by rearranging when they receive income, high earners are more likely to be entrepreneurs and they can always choose to just work less – especially if they're near the top of the top quintile of earners. Working only enough to earn \$1MM instead of breaking your back for \$2MM isn't going to change your family's consumption very much, but it will give you a heck of a lot more time with your loved ones. But, the government – which didn't consider incentive effect when calculating Obamacare – is going to collect half the taxes it planned to collect. Plus, you may have to fire some employees and you certainly won't hire new employees in a business you're downsizing. Entrepreneurs are also welcome all over the world – they can just choose to leave the country, including immigrating out.

The net effect is a declining GDP, significantly lower tax revenues and more people dependent on Obamacare at the same time. People talk about implosion, but a country usually turns into a hellhole long before it implodes.

3. [David Foster](#) Says:

[March 30th, 2010 at 10:19 pm](#)

- dump dividend paying stocks (you will probably want to do this anyways because they are likely to fall in price because part of their value is tied to the reduced tax rate) when the 15% rate is raised
- avoid selling stocks with capital gains when the rate rises, or sell stocks with unrealized losses at the same time to "net out" any gains owed to the government

The combination of those two things makes it impossible to ever get any return out of the stock, either via dividends or via price appreciation. (Unless your portfolio performs poorly, you will not be able to net out capital gains with capital losses indefinitely)

4. [Carl from Chicago](#) Says:

[March 30th, 2010 at 10:19 pm](#)

I think the post is actually saying that these tax rates will reduce collections, net.

Just like the Beatles said

"one for you, 19 for me"

taxman

5. [Eddie](#) Says:

[March 31st, 2010 at 8:29 am](#)

I could agree with all this if they (a) closed loopholes and simplified taxes for everyone and (b) if rich people would stop hiding their assets and wealth in overseas accounts in Switzerland and the Caribbean. The numbers for tax fraud are staggering, so I feel little sympathy for a group who has so many dedicated tax cheats among them, especially in a time of war.

6. [methinks](#) Says:

[March 31st, 2010 at 9:16 am](#)

Eddie,

The “rich” wouldn’t have incentive to hide anything if America didn’t have the most progressive tax rates in the world.

Of course, they don’t have to cheat. They can very legally invest in tax exempt municipal bonds, defer taxes using retirement accounts and delay selling assets, or simply work a whole hell of a lot less.

The vast majority of America’s “rich” are working rich. Why trade the time with your family to work for the marginal dollar of which the vast majority will go the the government?

I don’t know what war has to do with it, but what’s more disgusting is that about half of all Americans don’t pay ANY income taxes at all – and that number is growing. So, I feel little sympathy for a group of people who expects someone else to pay for all the big government they want in a time of war or otherwise.

### Leave a Reply

Name

Mail (will not be published)

Website

**Comment Policy:** Whether you agree or disagree with us you are welcome to comment here as long as you are civil, with the following caveats: 1) Chicagoboyz authors, like Chicagoboyz readers, are individuals and do not agree about everything. Each author manages the comments on his own posts. Some of us are very laid back or enjoy arguing; others delete even mildly rude comments. There is no company line and that is part of the charm of a group blog. If you don't like it go elsewhere. 2) If you post a comment and it doesn't appear immediately (even after you refresh the page) it may have been trapped by the spam filter. If this happens, please send an email to [support@chicagoboyz.net](mailto:support@chicagoboyz.net) so that we may retrieve your comment. 3) If you post a comment that shows up on the blog but disappears later, it was probably deleted. Maybe you caught the author on a bad day or maybe your comment merited deletion. Either way it is probably time to move on. (Note that while we reserve the right to delete any comment for any reason, in practice we delete few comments, and if we delete a comment we will usually leave some public indication that we have done so.) 4) This blog is private property. The First Amendment does not apply. We have no obligation to let you post comments or to follow the rules that you think we should follow. If you can't live with these minor restrictions you should probably start your own blog and leave us alone. We post these commenting guidelines because it seems like a good idea to show how this blog operates, because we want to encourage thoughtful discussion. The many insightful comments left by our readers over the years have made this blog much better than it would have been otherwise.

**HTML:** You may use common HTML tags (italic, bold, etc.). Please use the "href" tag to post long URLs.

« [Around Chicago](#)  
[Image / Meme Needed](#) »

