



Deficit Reduction

Another deficit reduction commission has now made its recommendations. My own recommendation for dealing with deficits would include stopping the appointment of deficit reduction commissions.

It is not the amount of money that these commissions cost that is the issue. It is the escape hatch that they provide for big-spending politicians.

Do you go ahead and spend the rent money and the food money — and then ask somebody else to tell you how to escape the consequences?



If President Obama or the Congress were serious about keeping the deficit down, they could have had this commission's recommendations before they spent hundreds of billions of dollars, handing out goodies hither and yon to their pet constituencies.

I don't know why people agree to serve on these bipartisan commissions, which save the political hides of the big spenders after they have run up huge deficits. Back in the 1950s, there was a saying: "If you didn't invite me to the take-off, don't invite me to the crash landing."

Deficit commissions make it politically possible to spend money first and get somebody else to recommend raising taxes later. They are a virtual guarantee of never-ending increases in both spending and taxes.

Why provide political cover? Leave the big spenders out there naked in front of the voters! Either the elected officials will change their ways or the voters can change the officials they elect.

There is no special information or wisdom available to unelected deficit commissions that is not available to elected officials. Nor are they more far-seeing than politicians.

Cutting defense spending to save money? That is one of the oldest moves in the liberal play book. Some soldiers may pay with their lives for this, but that could be years from now — and after the next election, which is as far as most politicians think.

The biggest immediate tax issue is whether the Bush tax cuts will be extended for everyone. Here, as elsewhere in politics, sheer hogwash reigns supreme.

Nancy Pelosi claims that the "tax cuts for the rich" cannot be continued because it would be "too costly." Although former Republican Majority Leader Dick Armey says, "Demagoguery beats data" in politics, here are some data anyway.

The first big cut in income taxes came in the 1920s, at the urging of Secretary of the Treasury Andrew Mellon. He argued that a reduction of the tax rates would increase the tax revenues. What actually happened?

In 1920, when the top tax rate was 73 percent, for people making over \$100,000 a year, the federal government collected just over \$700 million in income taxes — and 30 percent of that was paid by



Written by [Thomas Sowell](#) on November 16, 2010

people making over \$100,000. After a series of tax cuts brought the top rate down to 24 percent, the federal government collected more than a billion dollars in income tax revenue — and people making over \$100,000 a year now paid 65 percent of the taxes.

How could that be? The answer is simple: People behave differently when tax rates are high as compared to when they are low. With low tax rates, they take their money out of tax shelters and put it to work in the economy, benefitting themselves, the economy and government, which collects more money in taxes because incomes rise.

High tax rates which very few people are actually paying, because of tax shelters, do not bring in as much revenue as lower tax rates that people are paying. It was much the same story after tax cuts during the Kennedy administration, the Reagan administration and the Bush Administration.

The *New York Times* reported in 2006: “An unexpectedly steep rise in tax revenues from corporations and the wealthy is driving down the projected budget deficit this year.”

Expectations are in the eyes of the beholder — and in the rhetoric of the demagogues. If class warfare is more important to some politicians than collecting more revenue when there is a deficit, then let the voters know that.

And spare us so-called “deficit reduction commissions.”

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