Written by **Walter E. Williams** on April 13, 2011

Eat the Rich

I've often said that I wish there were some humane way to get rid of the rich. If you asked why, I'd answer that getting rid of the rich would save us from distraction by leftist hustlers promoting the politics of envy. Not having the rich to fret over might enable us to better focus our energies on what's in the best interest of the 99.99 percent of the rest of us. Let's look at some facts about the rich laid out by Bill Whittle citing statistics on his RealClearPolitics video "Eat the Rich."

This year, Congress will spend $3.7 trillion dollars. That turns out to be about $10 billion per day. Can we prey upon the rich to cough up the money? According to IRS statistics, roughly 2 percent of U.S. households have an income of $250,000 and above. By the way, $250,000 per year hardly qualifies one as being rich. It's not even yacht and Learjet money. All told, households earning $250,000 and above account for 25 percent, or $1.97 trillion, of the nearly $8 trillion of total household income. If Congress imposed a 100 percent tax, taking all earnings above $250,000 per year, it would yield the princely sum of $1.4 trillion. That would keep the government running for 141 days, but there's a problem because there are 224 more days left in the year.

How about corporate profits to fill the gap? Fortune 500 companies earn nearly $400 billion in profits. Since leftists think profits are little less than theft and greed, Congress might confiscate these ill-gotten gains so that they can be returned to their rightful owners. Taking corporate profits would keep the government running for another 40 days, but that along with confiscating all income above $250,000 would only get us to the end of June. Congress must search elsewhere.

According to Forbes 400, America has 400 billionaires with a combined net worth of $1.3 trillion. Congress could confiscate their stocks and bonds, and force them to sell their businesses, yachts, airplanes, mansions and jewelry. The problem is that after fleecing the rich of their income and net worth, and the Fortune 500 corporations of their profits, it would only get us to mid-August. The fact of the matter is there are not enough rich people to come anywhere close to satisfying Congress' voracious spending appetite. They're going to have to go after the non-rich.

But let's stick with the rich and ask a few questions. Politicians, news media people, and leftists in general entertain what economists call a zero elasticity view of the world. That's just fancy economic jargon for a view that government can impose a tax and people will behave after the tax just as they behaved before the tax, and the only change is more government revenue. One example of that vision, at the state and local levels of government, is the disappointing results of confiscatory tobacco taxes. Confiscatory tobacco taxes have often led to less state and local revenue because those taxes encouraged smuggling.

Similarly, when government taxes profits, corporations report fewer profits and greater costs. When individuals face higher income taxes, they report less income, buy tax shelters, and hide their money. It's not just rich people who try to avoid taxes, but all of us — liberals, conservatives, and libertarians.

What's the evidence? Federal tax collections have been between 15 and 20 percent of the nation's Gross Domestic Product every year since 1960. However, between 1960 and today, the top marginal tax rate has varied between 91 percent and 35 percent. That means whether taxes are high or low, people make adjustments in their economic behavior so as to keep the government tax take at 15 to 20 percent of the GDP. Differences in tax rates have a far greater impact on economic growth than federal revenues.

So far as Congress' ability to prey on the rich, we must keep in mind that rich people didn't become rich by being stupid.

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