



Written by [Thomas Sowell](#) on January 7, 2014

The “Trickle-Down” Lie

New York’s new mayor, Bill de Blasio, in his inaugural speech, denounced people “on the far right” who “continue to preach the virtue of trickle-down economics.” According to Mayor de Blasio, “They believe that the way to move forward is to give more to the most fortunate, and that somehow the benefits will work their way down to everyone else.”

If there is ever a contest for the biggest lie in politics, this one should be a top contender.



While there have been all too many lies told in politics, most have some little tiny fraction of truth in them, to make them seem plausible. But the “trickle-down” lie is 100 percent lie.

It should win the contest both because of its purity — no contaminating speck of truth — and because of how many people have repeated it over the years, without any evidence being asked for or given.

Years ago, this column challenged anybody to quote any economist outside of an insane asylum who had ever advocated this “trickle-down” theory. Some readers said that somebody said that somebody else had advocated a “trickle-down” policy. But they could never name that somebody else and quote them.

Mayor de Blasio is by no means the first politician to denounce this non-existent theory. Back in 2008, presidential candidate Barack Obama attacked what he called “an economic philosophy” which “says we should give more and more to those with the most and hope that prosperity trickles down to everyone else.”

Let’s do something completely unexpected: Let’s stop and think. Why would anyone advocate that we “give” something to A in hopes that it would trickle down to B? Why in the world would any sane person not give it to B and cut out the middleman? But all this is moot, because there was no trickle-down theory about giving something to anybody in the first place.

The “trickle-down” theory cannot be found in even the most voluminous scholarly studies of economic theories — including J.A. Schumpeter’s monumental *History of Economic Analysis*, more than a thousand pages long and printed in very small type.

It is not just in politics that the non-existent “trickle-down” theory is found. It has been attacked in the *New York Times*, in the *Washington Post* and by professors at prestigious American universities — and even as far away as India. Yet none of those who denounce a “trickle-down” theory can quote anybody who actually advocated it.

The book *Winner-Take-All Politics* refers to “the ‘trickle-down’ scenario that advocates of helping the have-it-alls with tax cuts and other goodies constantly trot out.” But no one who actually trotted out any such scenario was cited, much less quoted.

One of the things that provoke the left into bringing out the “trickle-down” bogeyman is any suggestion that there are limits to how high they can push tax rates on people with high incomes, without causing repercussions that hurt the economy as a whole.



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But, contrary to Mayor de Blasio, this is not a view confined to people on the “far right.” Such liberal icons as Presidents John F. Kennedy and Woodrow Wilson likewise argued that tax rates can be so high that they have an adverse effect on the economy.

In his 1919 address to Congress, Woodrow Wilson warned that, at some point, “high rates of income and profits taxes discourage energy, remove the incentive to new enterprise, encourage extravagant expenditures, and produce industrial stagnation with consequent unemployment and other attendant evils.”

In a 1962 address to Congress, John F. Kennedy said, “it is a paradoxical truth that tax rates are too high today and tax revenues are too low and the soundest way to raise the revenues in the long run is to cut the rates now.”

This was not a new idea. John Maynard Keynes said, back in 1933, that “taxation may be so high as to defeat its object,” that in the long run, a reduction of the tax rate “will run a better chance, than an increase, of balancing the budget.” And Keynes was not on “the far right” either.

The time is long overdue for people to ask themselves why it is necessary for those on the left to make up a lie if what they believe in is true.

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