Written by William P. Hoar on April 23, 2021
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Correction, Please!

Biden Eyes Major Federal Tax Hikes, Creation of Global High-tax Cartel

Tax till it hurts: Joe Biden's tax plan would hit corporations with major taxes while at the same time giving new subsidies to chosen industries, picking winners and losers. The Tax Foundation estimated that the plans would reduce business investment by more than a trillion dollars. *(Photo credit: AP Images)*

Item: *In Pittsburgh on March 31, President Biden unveiled "a $2 trillion jobs, infrastructure and green energy proposal to reshape the U.S. economy," as the* Washington Post *reported in its April 1 print edition. The paper quoted his remarks during his pitch for the American Jobs Plan, in which Biden said, "We have to move now. Because I'm convinced that if we act now, in 50 years, people are going to look back and say this was the moment that America won the future."*

In an editorial on April 1, the left-wing Post *enthused: "Mr. Biden's plan represents an unapologetic commitment to a bigger federal government, with bigger responsibilities, for the foreseeable future." "At its heart," the paper said, this proposal "shifts hundreds of billions of dollars from the private sector to the public sector on the theory that the latter can put them to better use than the former."*

Item: *The April Fool's Day edition of the* New York Times *was beside itself with multiple page-one stories, festooned with these headlines, "Biden Plan Stresses Jobs, Roads and Growth"; "Tax Pitch Challenges G.O.P. Notions on Spurring Growth"; "$2 Trillion for 'Once in Generation' Fix of Infrastructure"; and, "Big Bet: Fighting Climate Change Will Add to Work Force." The paper, while describing the proposed tax increases, happily noted that this is "the first half of what will be a two-step release of the president's ambitious agency to overhaul the economy and remake American capitalism, which could carry a total cost of as much as $4 trillion over a decade."*

Item: *The Associated Press for April 5 reported: "U.S. Treasury Secretary Janet Yellen on Monday urged the adoption of a minimum global corporate income tax, an effort to at least partially offset any disadvantages that might arise from the Biden administration's proposed increase in the U.S. corporate tax rate."*

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The wire service continued: "Citing a '30-year race to the bottom' in which countries have slashed corporate tax rates in an effort to attract multinational businesses, Yellen said the Biden administration would work with other advanced economies in the Group of 20 to set a minimum. 'Competitiveness is about more than how U.S.-headquartered companies fare against other companies in global merger and acquisition bids,' Yellen said in a virtual speech to the Chicago Council on Global Affairs. 'It is about making sure that governments have stable tax systems that raise sufficient revenue to invest in essential public goods.'"

Item: *On April 2, the president was asked by a reporter if there was a risk to his plan: Could raising taxes slow the economy? Biden responded, as quoted by the White House: "Raising taxes, the studies show, will not slow the economy at all. Asking corporate America just to pay their fair share will not slow the economy at all. It will make the economy function better and will create more energy."*

Correction: In the real world, the following is a truism: If you want more of something, you subsidize it; if you want less, you tax it.

Nonetheless, the president is itching to impose more taxes — a lot more — on businesses and investment, and he is sure that will improve the economy. Or so he says. Biden lives in a different world — one that revolves around its taxes.

Wishful thinking rules in this progressive realm. Academics give advice to the president, such as a typical article not long ago in the radical *New Republic* entitled "Why Joe Biden Can Stop Worrying and Start Spending Like Crazy." It celebrates the "magic of public money, the alchemy of public finance." Therein, ostensibly sane professors instruct gullible readers that "public investment is — by definition! — not inflationary. The new money, simply spent into existence by our money-issuing federal government, creates the very means of its own absorption." Don't try to understand that. It will hurt your head. We have now realized why brains are not taxed in Washington: The take would be too meager.

If enacted, Biden's tax plans would entail, among other changes, undoing the 2017 Trump/Republican tax overhaul; boosting the corporate tax rate to 28 percent from the current 21-percent rate; imposing a 21-percent global minimum tax on businesses; raising the individual income tax rate to 39.6 percent from 37 percent; and taxing unrealized capital gains at death. The price tag has been estimated at $2 trillion or so. That's a 13-digit number: $2,000,000,000,000.

Remember that one trillion dollars of spending works out to be around $3,000 per American. Other estimates put the total at $2.2 trillion, $2.25 trillion, or $2.3 trillion. (Recall the quip attributed to former Illinois Senator Everett Dirksen: "A billion here, a billion there, pretty soon it begins to add up to real money." In these days of magic money, hundreds of billions of dollars are just rounding-off figures.) In the long run, the costs could be much higher.

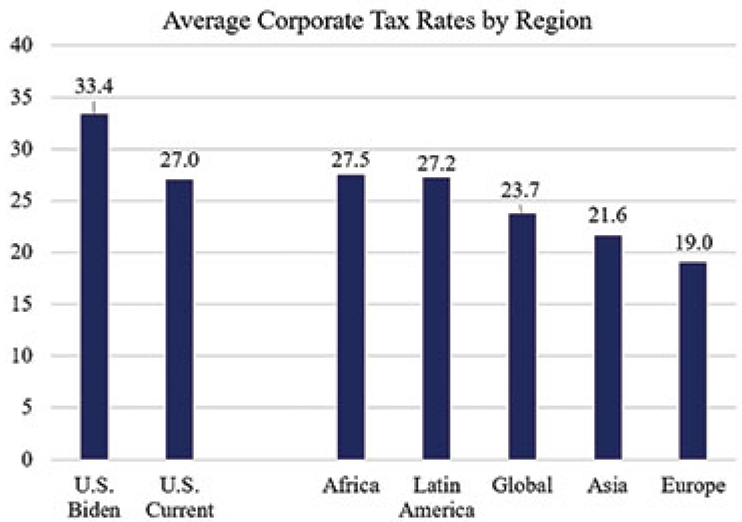
Perhaps seven percent of the total being bandied about represents what is normally considered to be infrastructure — such as for roads, bridges, waterways, ports, and airports. (For more on infrastructure and debt, see pages 10 and 17.)
That is what a spokesman for the Republican National Committee (RNC) told the *Washington Times*. According to Tommy Pigott, "Of Biden's $2.25 trillion bill, only $115 billion is allocated for repairing roads and bridges, only $25 billion for airports, and only $17 billion is for waterways and ports."

And, he continued, "to pay for his non-infrastructure bill, Biden is proposing $1.8 trillion in tax hikes that would kill hundreds of thousands of jobs and raise the combined tax rate on U.S. businesses to the highest of any country in the G-7," the Group of Seven (the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom). As the *Times'* Jennifer Harper said, according to the RNC official, that tax rate would be higher than those found among the 37-member Organ-ization for Economic Cooperation and Development (OECD).

Some in the OECD have been contemplating a global minimum tax of 12 percent, but that's a far cry from Biden's 21-percent minimum. As the editors of the *Wall Street Journal* have commented, "Only in Washington would the left punish American employers in the hope that the rest of the world would be as self-destructive."

Others in the OECD have been negotiating for what economist Daniel Mitchell calls a "global high-tax cartel." Small countries (such as Ireland, Malta, and Hungary) have instituted low-tax policies so they can compete with the large economies in Europe. That bothers the big boys.

Ryan McMaken, a senior editor at the Mises Institute, points out that Germany and France "have already announced plans to bilaterally pursue a common corporate tax policy, but this is just the first step. The next step is to impose minimum tax rates on the rest of Europe as well." Biden's Treasury Secretary Janet Yellen (see above) wants to join this anti-competitive effort and avoid what she falsely terms the "race to the bottom."



Tax nation: The current U.S. corporate tax rate is higher than the average global rate for 173 countries of 23.7 percent. It is also higher than Asia at 21.6 percent and Europe at 19.0 percent. With Biden's increase, the U.S. federal-state corporate tax rate would rise to 33.4 percent. *(Photo credit: www.cato.org/blog/topics/11–Data from KPMG)*

The Yellen "tax harmonization" effort would be damaging, as has been described well by Dan Mitchell. As he puts it, any type of "tax harmonization is a bad idea, and it is an especially bad idea to impose a minimum rate on a tax that does so much economic damage." Not one to pull his punches, Mitchell calls the OECD a "counterproductive international bureaucracy that advocates for statist policy." To add insult to injury, he says, "American taxpayers finance the biggest portion of the OECD's budget." And "to add insult upon insult, OECD bureaucrats get tax-free salaries while pushing for higher taxes on everyone else."

Meanwhile, the experts at the Tax Foundation are among those who are not fans of the Biden plan, saying that these proposals "rely on mistaken assumptions about how corporate taxes work, how corporations respond, and how workers are affected." Moreover, say the analysts,

> An increase in the federal corporate tax rate to 28 percent would raise the U.S. federal-state combined tax rate to 32.34 percent, higher than every country in the OECD, the G7, and all our major trade partners and competitors including China. This would harm U.S. economic competitiveness and diminish our role in the world.
>
> Contrary to the proposal's claims about a "race to the bottom" on corporate tax rates, reductions in corporate rates have plateaued for more than a decade. When the U.S. cut the federal statutory corporate rate from 35 percent to 21 percent in 2017, it was not leading a race to the bottom but moving to the average. The U.S. combined (state and federal) tax rate on corporate income is now 25.77 percent. The average corporate rate among countries in the OECD (excluding the U.S.) is 23.4 percent.

The Tax Foundation's analysts also point to domestic consequences, commenting that raising the rates by seven percentage points (an increase of one-third) "would reduce the after-tax rate of return on corporate investment in America, resulting in less investment, less productivity, fewer jobs, and lower wages. We estimate that raising the federal corporate tax rate to 28 percent would reduce long-run economic output by 0.8 percent, eliminate 159,000 jobs, and reduce wages by 0.7 percent." In an economy the size of the United States, that might mean around $170 billion in lost economic activity per year.

While left-wing promoters and politicians tell a different tale to justify their own actions, corporations really don't pay taxes. A combination of shareholders, workers, and customers pick up the cost — though economists do argue over the proportions.

The Congressional Budget Office "automatically assumes when government raises taxes on corporations, roughly 25% of that comes right out of workers' pockets," note the editors at the online site Issues and Insights. "Private economists' estimates are much higher: 50% and more." The remainder

> comes from consumers and investors, who are often the same people. They pay through

> higher prices (consumers) and lower returns on investments (investors). Remember: If you have a 401(k), you too are an investor.
>
> The corporation pays nothing. People do.

Again, it will not be a faceless company footing the bill for these huge tax increases that are meant to transform the entire economic system of the nation. Rather, it will be your relative, your friend, and that gray-haired teacher down the street with a retirement account. You.

Here's a summary by Ryan Young, a senior fellow at the Competitive Enterprise Institute, about those who will feel the pain of the Biden plan:

> In a 2020 study by Scott R. Baker of Northwestern University, Stephen Teng Sun of City University of Hong Kong, and Constantine Yannelis of the University of Chicago estimate that 31 percent of the cost of an increase in corporate taxes is borne by consumers, 38 percent by workers, and 31 percent by shareholders, or about a third each. Other studies have found different ratios. A 2020 Tax Policy Center study, a joint effort between the Urban Institute and the Brookings Institution, estimates an 80-20 split between investors and labor. The Tax Foundation's Stephen J. Entin estimated in 2017 that labor pays 70 percent or more of the corporate tax. Differences aside, these studies share a common conclusion: Ultimately, corporations themselves pay no corporate tax.

The president, meanwhile, is reading a teleprompter that tells him to say that the increase "will ensure that corporations will pay their fair share of taxes."

Little wonder that Texas Representative Kevin Brady, the top Republican on the tax-focused House Ways and Means Committee, calls this proposed tax increase "the biggest economic blunder of our lifetime." When we are "trying to rebuild the economy from the biggest hit we've had in 90 years, why would you impose a massive tax hit on the very American businesses [that] you want to rehire workers?" asks Brady.

On Twitter, Republican Senate Leader Mitch McConnell observed that the Biden administration's "non-infrastructure 'infrastructure bill' looks like another Trojan horse for far-left demands. Rolling back Right to Work laws. Imposing the biggest new tax hikes in a generation — killing jobs and slowing wage growth when workers need a fast recovery."

Naturally, there are some winners. This is politics — where government handouts are intended to elicit support and votes.

There are, keep in mind, additional plans in the wings for even more taxing and spending. And as oppressive as the tax burden would be, studies show that there are still five to six dollars of spending intended for every tax dollar to be imposed (with the rest charged to the nation's credit card, to be paid by our children and grandchildren).

No, Mr. President, you don't win the future by crushing today's economy.

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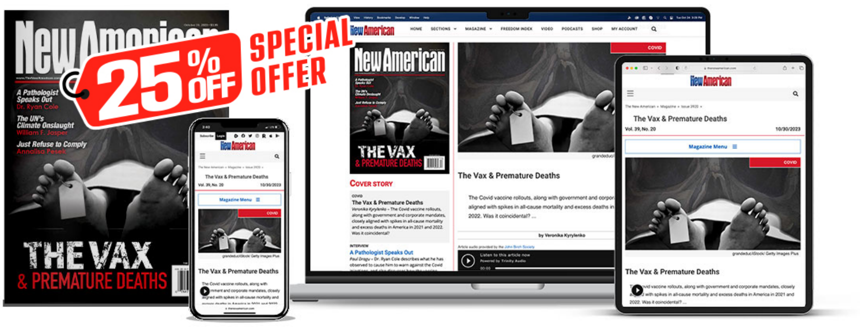

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