



Written by [Bob Adelman](#) on September 16, 2010

Reids Lame Duck Session: Just Mopping Up?

Last Tuesday, September 7, when Senate Majority Leader Harry Reid (D-Nev.) said he intended to focus the current lame duck session on “mopping up” leftovers from the previous session, these included a national renewable energy policy, a small business jobs bill, and another stimulus bill. Reid said, “We are still going to be in Congress, working, after the election. There are things that we have to do. There is a lot of mopping up to do.” Reid failed to mention one small item that his lame duck session is determined to ignore altogether: the Bush “tax cuts” which are set to expire without Congressional action by the end of the year.



Many are persuaded that letting those tax cuts expire, which is equivalent to a massive tax increase, would further hamper any nascent recovery in the economy. Even if some modification is passed during the lame duck session, they cannot in and of themselves lift [the] economy out of recession, according to [Charles Scaliger](#).

Investors Business Daily [said](#), Risk-taking is essential for economic growth. Investors supply entrepreneurs with the capital needed for starting and expanding their enterprises. Government is unable to do so since it must destroy jobs in the private sector in order to finance its spending programs either by taxing, borrowing, or printing money. Raising taxes on capital reduces the incentive of those entrepreneurs to start and expand. A study reported in [MoneyNews.com](#) showed that raising taxes on the wealthy causes them to save substantially less almost immediately, thereby depriving the capital markets of exactly what is needed for economic growth. The study also showed that when taxes are reduced, the wealthy increased their savings, leading directly to increases in capital available as investments in private sector businesses.

President Obama, on the other hand, at a White House news conference on September 10, said that reducing taxes by extending the Bush tax cuts is a bad idea because it would cost \$700 billion in government revenue. This position, according to Richard Rahn, writing for [Cato.org](#), is because Obama’s economic team has an economic theory which did not and does not work in practice. As Rahn explains, If Team Obama had known American economic history, it would have known *there was no case where a big increase in government spending led to both higher private consumption and significant job growth*. [Emphasis added.] Higher tax rates mean less money to hire new workers or buy new equipment. This is not rocket science but, as simple as it is, Team Obama doesn’t get it.

Such economic history is also ignored by proponents of higher taxes, such as Alan Greenspan, former Fed chairman, when he told the internationalist Council on Foreign Relations, I am in favor for the first time in my memory of raising taxes. One could contend that he has a short memory because, as head of the Fed, he was in charge of the printing press which has, since the Fed’s inception, expanded the money supply in order to expand government without taxing the citizens directly. As Greenspan made



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clear in his article “Gold and Economic Freedom”:

The abandonment of the gold standard made it possible for the welfare statist *to use the banking system* as a means to an unlimited expansion of credit. [Emphasis in the original.]

This is the shabby secret of the welfare statist tirades against gold. Deficit spending is simply a scheme for the hidden confiscation of wealth.

Citizens remain uncertain about the Bush tax cuts. [As reported by](#) Pew Research, Public opinion remains divided. About three-in-ten (29 per cent) say all of the tax cuts should remain in place while the same percentage say tax cuts for the wealthy should be repealed while those for the less affluent should remain in place and another 28 per cent say they think all of the Bush-era tax cuts should be repealed.

Much education about taxes, government spending, and constitutional limitations remains to be done. As Ayn Rand explained in “What Is Capitalism?”:

America's abundance was not created by public sacrifices to the common good, but by the productive genius of free men who pursued their own personal interests and the making of their own private fortunes. They did not starve the people to pay for America's industrialization. They gave the people better jobs, high wages, and cheaper goods with every new machine they invented, with every scientific discovery or technological advance.

As Scaliger explains: The only thing that will heal the American economy will be deep reductions in the size of government. Cutting back the government and this will mean eliminating entire bureaucracies and departments, like Education, that are neither constitutional nor serve any useful function will reduce dramatically the cost of government [which will] allow taxes to be slashed without running up deficits to cover revenue shortfalls.

Reid's lame duck mopping up session cannot end too soon. It will, it is hoped, be replaced by a sufficient number of serious constitutionalists to begin the unwinding of the welfare state and the fourth branch of government, and begin to allow true capitalists once again to breathe, create, and expand, which is what they do best when they are left alone and allowed to keep the fruits of their labors.

Photo: U.S. Sen. Majority Leader Harry Reid answers questions for member of the media after giving speech at the Air Force Energy Forum, Aug. 25, 2010 in Las Vegas: AP Images



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