

Bush Tax Cut Calisthenics

✘ Has there even been a policy initiative that has received as much attention as the Bush tax cuts? The fascinating thing is that the conventional wisdom on these cuts is constantly changing. They are not all that complicated. In 2001 and 2003 everyone who paid income taxes received a reduction in their tax bill through cuts in rates. The cuts were implemented to help spur economic growth after the “.com bubble” and the attack on 9/11. The results are easy enough to look up. The economy grew at 2-4% for 5 years, and unemployment dropped from 6% to 4.6% during the same period. This is not very complicated, and the policy was measurably successful in achieving the stated goal. Over the last 10+ years we have received complicated and often conflicting stories which are supposed to represent accurate analysis.

We were told that these tax cuts would increase the deficit. In fact the revenue to the treasury increased for every year following these cuts until the recession 5 years later. Any budget deficits were due to spending more than the increase in revenue.

We were told that these were tax cuts for the rich. Now we are told that 98% of Americans that received the tax cut were not “the rich”. This tidbit has only been widely reported since Mr. Obama became President, and extended the cuts by two years.

We were told that tax cuts needed to be “paid for” with spending cuts. This was the reason that the cuts expired. Now no one cares what they cost, and few even remember that tax cuts were always said to be paid for. Republicans are looking to cut spending, but not to pay for the tax cut continuation, and Democrats don't cut spending.

We were told that the Bush tax cuts were the cause of the

recession and financial crisis. The President hammered home this point repeatedly during this year's Presidential campaign. Now we are told that if we don't extend the tax cuts for at least 98% of the people it will cause a new recession and financial meltdown. This reminds me of a Dire Straits song where the lyrics say, "Two men say they're Jesus, one of them must be wrong" (Industrial Disease, 1982).

The Congressional Budget office has estimated that the 10 year "savings" by letting the taxes go back up for the top 2% of taxpayers is \$824 billion. The tax cuts have been in place for roughly 10 years. It doesn't really work this way, but let's say that these cuts were never implemented, and the \$824 billion more had gone to paying down the debt. How different would our fiscal situation be with a debt of \$15.4 trillion rather than \$16.2 trillion?

The reporting and politics of this can make one's head spin if you actually listen to them. It is as if no one has a memory in terms of how conventional wisdom has changed. Let's just hope that whatever they are shoveling us about the Bush tax cuts next week works as they have planned for us. Perhaps a year from now when things aren't going well we can find a new way to blame the Bush Tax Cuts.

Negotiating Towards Different Goals

✘ The discussions in Washington DC have been reported on ad nauseam. There are more reports on the politics than the actual issues, which is typical. Another popular storyline is the concern over the fiscal cliff. The idea being that any

deal must get done in order to avert automatic tax increases and budget cuts set to occur at the end of the year. One interesting aspect that has not been discussed very much is the goals of the participants. The republicans and democrats seem to be trying to solve two completely different problems, and the President has the upper hand.

The republicans think they are trying to solve the problem of our huge federal debt, and how we can set ourselves up to not add a trillion dollars to it each year. The concern is that it is only a matter of time before this will lead to a debt crisis. Devalue of the dollar, hyperinflation, economic turmoil, and a much worse standard of living would be the ultimate result of their worst fears. A real possibility in the eyes of republicans is the crisis going on in Europe, and that if we do not curb our spending we will end up like Greece.

The democrats think that the debt has always been there, and the real problem we face is that the United States is not a fair place. These negotiations are a way to implement policies to fix the disparate results of our system. One can simply look at the president's proposal to avoid the fiscal cliff. This included double the tax increase than just letting the Bush tax cuts expire on the top 2% of earners would garner, and no further cuts in entitlement programs. There is also an additional stimulus of \$50 billion and elimination of the debt ceiling, which limits the government's ability to borrow.

This is just the latest example that the debt is of no consequence to Mr. Obama and democrats. He has been in office for 4 years, and has never suggested any changes to entitlements, which all agree are unsustainable, and the main drivers of our long term debt. Perhaps they believe that all of this excess borrowing hasn't hurt us yet, so let republicans worry about it. They have much more pressing problems to deal with like income inequality.

Until the republicans realize that they are not negotiating toward the same goal, they are not really in the game. The high debt can be used as an excuse to raise taxes now and in the future. These types of negotiations have been in the past compared to Lucy pulling the football away from Charlie Brown. Republicans, of course, are always represented by Charlie Brown. That comparison seems too mild. Maybe if Lucy hit Charlie over the head with a baseball bat it might be more appropriate. These negotiations may determine how often the President will be able to play whack-a-republican in the future.

How to Become a Racist at Age 76

✘ This is a story that's the opposite of your typical coming of age in terms of racism. We often hear about stories of people who were born or raised as a racist, and come to learn that there is no reason to harbor such hate. These are sometimes rural people who did not have much education, or exposure to those of a different race. Typically, these are feel good stories about someone seeing they are wrong and changing their ways. There are not too many people who go through their life loving all races equally, and at a late age succumb and convert to racism. John McCain has arrived at age 76 living such a life, only now to apparently become a racist.

The reason that we know John McCain is racist is that important and respected people have told us that his objection to the possible nomination of Susan Rice (current Ambassador to the UN) to the post of Secretary of State proves he is racist. Mr. McCain along with other Senators has raised

concerns about Ms. Rice due to her statements after four Americans were killed in Libya. Ms. Rice appeared on 5 Sunday news shows on behalf of the Obama administration five days after the Consulate in Libya was attacked, and misled the public about the cause of the attack. Mr. McCain claims that this is important because she either knew she was lying or should have known she was lying. Countless pundits, hosts on MSNBC, and the Congressional Black Caucus have accused Mr. McCain of being a racist, because he has stated that Ms. Rice is unfit for office.

John McCain has been in the public eye since 1973 when he returned from Viet Nam after being tortured as a POW. He has served in elective office since 1982, and run for office 9 times including twice for president. He enthusiastically supported 2 different nominees for Secretary of State who were black in Colin Powell & Condoleezza Rice. In 1991 his wife returned from Bangladeshi with a three month old baby from Mother Teresa's orphanage, they adopted this baby of color, and she is their daughter Bridget. Somehow through all of this public scrutiny and acts of colorblindness, we have all somehow missed that John McCain is a racist. Maybe this is that rare case of late life conversion to racism.

Perhaps it is possible that you don't become a racist at 76 with zero history of harboring these thoughts of hate. Maybe Mr. McCain deserves the benefit of the doubt that his problem with Ms. Rice is what he says it is. You can say he is overreacting, judging too harshly, or even putting too much weight on one statement, but shouldn't there be a track record of questionable behavior before you can accuse someone of being a racist? What is it about today's political environment that allows this to occur nearly unchallenged?

How do you become a racist at age 76? Ask a Democrat to tell the truth.

Stupid Stories

✘ The day before Thanksgiving is the king of all stupid stories days. These are the days of the year when the media decides to dominate that day's news with completely useless information. There are random stupid stories, such as some movie star doing something stupid. Then there are scheduled stupid stories such as the Wednesday before Thanksgiving. The reason this day is the king of all useless stories days is that it is the combination of three useless stories all in one day. Call it the perfect storm of stupid stories days.

Storm 1 – Black Friday Preparation

For some reason most media outlets think that we have any interest in the misguided youths, unemployed, or otherwise confused consumers who have decided to camp out at their local Best Buy or other retailer for sales that will begin Friday. We are supposed to be interested in people who will spend their Thanksgiving sitting on pavement outside a store for hours on end, eating their can of baked beans hoping their investment of time will pay off in a \$100 reduced price of a TV. Whenever you see these people, just remember that their vote for president counts just as much as yours.

Storm 2 – Butterball Lady

We all know that Thanksgiving is a special holiday, and an American tradition. Do we have to spoil it with a 5 minute advertisement for Butterball Turkey across all media outlets? Is it possible that someone who is hosting Thanksgiving dinner is still looking for information on how to cook a Turkey the day before their house is going to be filled with people? If

this is true, thank goodness that she gives us the hotline phone number (also on the bird) for any turkey emergencies.

Storm 3 – Busy Travel Day

The day before Thanksgiving is one of the busiest travel days of the year. This is why we get to see a top notch reporter standing at the airport. Perhaps we are even lucky enough to hear an interview, and find out who some random person is visiting. Scintillating! Just think how unimportant this story is. If you are traveling or waiting for someone, you are not watching the story. Even if you are watching at the airport just when they are about to tell you something useful, they say, “make sure to check with your airline for information”. Isn’t that what you would have done anyway?

The issue isn’t that these things aren’t important to somebody (I guess), it is that they are not “news”. What stories or reports are shelved to give us these gems? If you missed these stupid stories, don’t worry you will have plenty of chances throughout the year. There will be late gift buyer story on December 24th, or tax return wait-till-the-last-minute story on April 15th. If this isn’t enough, I’m sure Charlie Sheen or Lindsay Lohan are planning something special for all of us.

Capitol Losses

There are discussions underway in Washington D.C. between Democrats and Republicans to come to a compromise in order to avoid the country going over the so called “fiscal cliff”. This is the year end arrival of tax increases and spending cuts that many economists think will send the country into

recession if it is allowed to occur. During these discussions there is a fundamental change in one of the party's views on an element of encouraging growth in the economy. This is the concept that low capital gains taxes help the economy, and actually increase revenue to the Federal Government. Today's Democratic Party no longer believes this is true.

Capital gains tax rates have not gone up in 26 years. One of the few things that the parties had agreed upon up until recently was that when you tax capital at a higher rate, you reduce investment, you reduce investment...you get less growth, you get less growth...you receive lower revenues and unemployment goes up. Conversely lower rates on capital leads to greater investment, more growth, more jobs, and even higher revenue to the government.

In the media's near hysterical reporting on the risks of the "fiscal cliff" there has been very little discussion of what are the ways to promote growth. All that is reported is that a deal is needed or we will fall off the cliff. This is similar to the way that Europe's issues were reported on last year. 'Any deal will do' seemed to be the mantra. Now there is stagnant growth across Europe, and their debt problems are worse. Without an eye toward growth, or what hurts it, we will face the same fate. The Democratic Party is much more interested in fairness, and the media is willing to go along.

We can get into the issues of how low capital gains rates are "fair" in that the money used to invest is already taxed, or that any gains are also taxed at the corporate level. That, however, is not the most important issue. The most important issue is supposed to be economic recovery, growth in the economy, and the creation of jobs. Low capital gains rates help all of these things, and higher capital gains rates make these things harder.

John Kennedy used to say regularly that, "a rising tide lifts all boats." Jimmy Carter and Bill Clinton signed bills to

lower Capital Gains rates. After years of agreement between the parties in terms of understanding that economic growth is generated by private investment, one of the parties has decided to abandon this point of view. The current Democratic Party, under President Obama, no longer seems to care that raising these particular taxes may hurt the economy or the prospects of growth. They seem to be much more interested in living up to their rhetoric of fairness, income inequality, jealousy, and even revenge. When you tax something more you get less of it. Now is not the time for less Capital.