

Warren Buffett Reversal: Rich Not to Blame for Inequality



One of President Obama's most effective political allies during his 2012 re-election run was Warren Buffett, the ultra-successful CEO of *Berkshire Hathaway* and one of the most respected economic minds in the country. You might recall after all that Buffett, who had previously kept himself out of the political fray (for the most part), received a lot of press

that year for lending credence to the class warfare rhetoric that was being tossed around by the president and his surrogates.

The U.S. economy was suffering through deep economic turmoil at the time, and Obama knew he couldn't run on the success of his policies. Thus, he made a conscious effort to cast wealthy Americans as the problem, claiming that they received unfair advantages at the expense of the *working class*. By building this narrative, Obama used jealousy to deflect the social unrest of those frustrated with the economy away from him, and onto a favorite societal villain: rich people.

To the irritation of many conservatives and people from the business world, Obama's pal Warren Buffett was more than happy to help with the effort.

The two came up with *The Buffett Rule*, a 30% minimum tax-rate gimmick marketed as a way of highlighting the idea that *the rich* just weren't paying their "fair share" to society. Buffett declared it a *social injustice* that his personal

secretary paid a higher tax rate than he did, and claimed that implementing the Buffett Rule into law would somehow put Americans on an even playing field.

The problem was that the assertion was totally bogus. Buffett knew full well that his tax rate was based on dividends paid to him (by his choice) which is taxed twice, putting it at a higher combined rate than that of his secretary's salaried income.

Unfortunately, the media didn't care about the truth. They loved the optics of an old, mega-rich white guy casting himself as part of the problem, and supporting our liberal president's romantic quest for *economic fairness*. Buffett became the toast of the town in liberal circles, and make no mistake about it: He enjoyed the ride.

The media even turned Buffett's secretary into some kind of middle-class hero (she actually makes a solidly upper-class income), following her around with cameras as she sang the praises of Obama's pursuit of *fairness*.

The theme was clear: Rich people were causing the pain, and the rest of the country would benefit by taking more money from them.

In reality, there was no practical benefit to the Buffett Rule. If it had ever been implemented, the amount of revenue it would have brought in was equal to the amount of money the federal government spends in a single day. Yes, this was the economic plan our president was actually running on in 2012.

Just days after President Obama's re-election, Buffett was asked about the Buffett Rule again by Matt Lauer on the *Today* show. Sidestepping a question about the plan's actual effectiveness in economic terms, Buffett said that he would still like it to be implemented because it would "have a great effect in terms of the morale of the middle class."

In other words, he believed that *sticking it* to rich people would make the middle class *feel better* about themselves, even if it didn't improve their personal economic situations one bit. There's *economic fairness* for you, folks: All optics. No solutions.

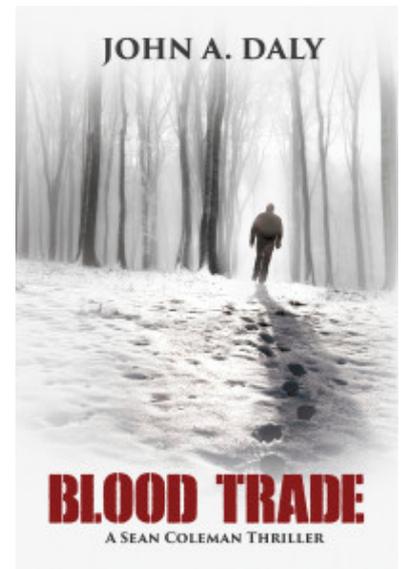
Well apparently, now that President Obama doesn't have run for office again, Buffett has had a change of heart. In a piece he recently wrote for the *Wallstreet Journal*, he now says that rich people are *not* to blame for the problems felt by the middle class.

What?

"No conspiracy lies behind this depressing fact: The poor are most definitely not poor because the rich are rich," Buffett wrote. "Nor are the rich undeserving. Most of them have contributed brilliant innovations or managerial expertise to America's well-being."

In the piece, Buffett also shoots down the president's long-held public positions that increased education spending and raising the minimum wage will fix the income discrepancy: "I may wish to have all jobs pay at least \$15 an hour, but that minimum would almost certainly reduce employment in a major way, crushing many workers possessing only basic skills. Smaller increases, though obviously welcome, will still leave many hardworking Americans mired in poverty."

What's going on here?



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If Mr. Buffett is now saying what he truly believes—and I suspect that he is—didn't he do the country a *huge* disservice by allowing himself to be used like a prop by a president whose economic policies have stood in direct defiance of what would actually improve the lives of Americans? Didn't Buffett play a noteworthy role in ensuring this country its slowest economic recovery since the Great Depression by lending his reputation to political gimmicks instead of ideas for economic growth?

The problem isn't just that he helped President Obama get re-elected; there might have been other things he liked about the president that earned his support. The problem is that he used his area of expertise (and the faith people had in it) to guide the national conversation *away* from smart, pro-growth economics, and toward political buffoonery that only benefited the president.

There are many things I admire about Warren Buffett—most notably his philanthropy, but it seems to me that he went out of his way to make hard times even harder for the middle-class in recent years. And for that, my respect is quite limited.

What he's saying now about the economy sure makes sense to me, but with his history, who's to say it's not just part of another angle?

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Warren Buffett's Answer to An Awful Economy: Schadenfreude

✘ I've been a bit hard on Warren Buffett in some of my past columns. It's not that I don't respect the man. The amount of his wealth that he's committed to charities is alone worthy of endless praise. There's just something downright frustrating about having one of the country's greatest business minds at our president's disposal during a time of deep economic turmoil, and listening to him repeatedly offer up some of the most ridiculous advice imaginable for how to fix it.

I mean, this guy isn't some phony media-economist like Paul Krugman. Buffett is a man who understands how wealth is produced. He understands what grows an economy, what gives investors confidence, and how jobs are created. He *should* be a great resource to someone like President Obama who clearly has no clue how a successful economy works.

Yet, instead of supporting the same serious, pro-growth policies that helped make him his fortune, all we ever hear from him is fruitless class warfare rhetoric that mirrors what

we've heard from President Obama over the last few years. One could even make the case that Buffett was the guy who jump-started the nauseating "fair share" campaign.

It seemed to begin when Buffett started publicizing that his secretary pays a higher tax rate than he does. He declared the discrepancy to be a social injustice! This was music to the ears of President Obama, who's always on the lookout for new ways to drive a wedge between the upper-class and the majority of the electorate.

The only problem is that Buffett's claim was bogus. He knew full well that his tax rate was based on capital gains income (by his choice) while his secretary's rate was based on her salaried income. Capital gains income is taxed twice. Money placed into the stock market has already been taxed at the normal income rate. It's then taxed a second time when it's taken out. The second tax rate is lower than the income rate, by design, to encourage wealthy people to invest more of their money into the stock market, which strengthens the economy. In other words, Buffett told a bit of a fib. He absolutely pays a higher tax rate than his secretary.

The truth, however, didn't stop the president from doubling-down on the theme. Inspired by Buffett's story, Obama came up with *The Buffett Rule* – a proposal to apply a minimum tax rate of 30% (including on capital gains) to individuals making a million dollars a year or more. It was billed by the president as a great step toward economic fairness and an important step toward getting our monstrous debt under control. Obama campaigned on the proposal for more than half a year, with Buffett lending his credibility to the plan. The media loved the idea, as they do pretty much any idea that the president comes up with. They followed Buffett's secretary around with cameras, hailing her as a middle-class hero (she actually makes a solidly upper-class income), and singing the praises of Obama's bold move toward getting the country's fiscal house in order.

The glaring problem is that the proposal was utterly pointless. It was nothing more than a gimmick. The Congressional Budget Office worked the numbers and found that the amount of federal revenue the Buffett Rule would bring in was equivalent to the amount of money the federal government spends in **one day**. Yes, the Obama/Buffett grand plan for deficit reduction and helping the economy – the one the president spent months campaigning on – would have funded the federal government for a single day each year.

Was this a joke? This country is stuck in a devastating economic slump, and *this* was the best advice the “Oracle of Omaha” could come up with? If it *was* a joke, it’s on ongoing one. Buffett’s still vocal about wanting rich people to be forced to pay higher tax rates for no identifiable benefit to anyone. He even wrote an op-ed this week, encouraging congress again to enact the plan.

The other day, however, he did finally offer at least some insight into what his reasoning behind the tax hike is. On the *Today* show he told Matt Lauer that *it would have a great effect in terms of the morale of the middle class*.

That comment really struck me. If the goal is to raise the *morale* of the middle class, I would think that being able to find a job would be a good start. I would think that companies being able to give raises to their employees would be a good start. I would think that some fiscal sanity from our government and a growing economy would be good starts. Are middle class Americans honestly supposed to feel better about their own situations if rich people are forced to fork over more of their own money to the government? It’s not like they would benefit from it in any way.

No, what Buffett is offering isn’t a solution to anything. All he’s doing is promoting schadenfreude.

What is schadenfreude, you might be asking? Long time Dennis

Miller fans might know the answer, but most people are probably familiar only with the concept. Schadenfreude is a German word defined as: "Pleasure derived from the misfortunes of others." Yes, there's actually a word for that.

We've all been guilty of feeling this ugly human emotion at different times our lives. It's typically brought on by pent-up envy that lets us feel better about ourselves when someone we perceive as having a better life than ours is dealt a loss.

It's the sly smirk that we fight to keep from forming on our lips when the lavishly-spending neighbor gets his expensive car repossessed. It's the chuckle we repress when the kid, whose parents are always bragging about how absolutely brilliant he is, flunks out of college.

Just like those people's misfortunes don't actually benefit our lives, neither will Buffett's plans for our tax system. But for some reason, he doesn't see that. He just wants to pinch his wealthy peers to cheer up the middle class. It's nonsensical, and it's condescending to those who are desperately looking to our nation's leaders for help during a very rough time. They don't want someone to play them a happy little song on a ukulele. They want someone who can help turn this economy around! Well, at least the half of the country who voted for Mitt Romney does.

I don't know if Buffett's clown show is motivated by guilt over his own success, or what, but he's wasting a serious opportunity if he honestly wants to help get this country headed in the right direction. He has the ear of the president, and that's a pretty big deal. Obama tends to ignore most of the business community. If he's such a respected public figure that our country's decision-makers turn to him for words of wisdom during a crisis, he has a moral obligation to drop the craziness and actually offer something substantive to the table.

The last thing Americans need right now is a billionaire trying to lift their spirits by *sticking it* to rich people, and promoting pointless gimmicks. They don't need a false sense of progress. They need competent leaders making wise, consequential decisions that will serve some positive purpose.

The Responsibility of the Media to Debunk The Buffett Rule

☒ Very rarely does something on television prompt me to literally stand up and cheer, especially when it comes to a news program. Yet, that's exactly what I found myself doing Tuesday night when watching a panel discussion on FOX News' *Special Report*. The topic was President Obama's continued endorsement of what he calls *The Buffett Rule*. The Buffett Rule is term that was coined by the president last year as a way of defining his desire to increase taxes on *the rich* as an answer to deficit reduction, and promote a sense of *fairness* in our tax system. It got its name from avid Obama supporter and ultra-successful businessman, Warren Buffett who has helped the president promote the concept.

The moment that got me fired up was when regular panelist Steve Hayes voiced his disgust over the media's complacency with the notion that The Buffett Rule is a legitimate solution.

"Don't reporters have a job to do here?" he asked. "Isn't it the job of the media to put this in perspective?" He went on to accurately explain that over one year, The Buffett Rule would raise \$4 billion in increased tax revenue for the

federal government. That is roughly the same amount of money that the U.S. government accumulates in debt in a **single day**. He continued by saying, "It's not a plan. There's nothing serious about it."

He's of course right. The Buffett Rule is an absolute joke. It might as well be named after Jimmy Buffett, rather than Warren, because its only purpose is to get the electorate drunk and *wasting away in Margaritaville* so they won't have a clue as to what's going on with the American economy.

For the past seven months, the President of the United States has traveled throughout the country touting a plan for deficit reduction that would fund the federal government for only ONE DAY each year. That's absolutely pathetic. He has stoked class envy within our culture, created public unrest that became the *Occupy* movement, and vilified *the rich* all under the premise that squeezing more money out of our wealthiest citizens would somehow fix our economic problems. The reality is that it would do no such thing.

Hayes' frustration mirrors that of my own, and it's about time someone made the point as bluntly as he did. I would be willing to bet that not a single national news network, aside from FOX News, will point out the numbers that he did. That's a serious problem. The media has an ethical duty to scrutinize the rhetoric that comes from our president, especially on a topic as important as the debt crisis. Yet, they've been MIA on The Buffett Rule this entire time, concentrating their attention on Buffett's secretary's tax rate instead of how it would affect our country.

By making a conscious decision not to debunk the president's deficit reduction claims, the media has portrayed The Buffett Rule as a legitimate, alternate vision to the bold and sound entitlement reform proposals introduced into legislation by Republicans. Thus, what should be one of the most serious national debates in our history has once again been reduced to

a battle of bumper-sticker slogans – the type of battle that President Obama rarely loses. It's that sort of unchallenged power that has made his class warfare message so successful.

It is absolutely dire that the public understands just how important the national debt issue is because it not only affects each and every one of us, but also our children... and *their* children. The media can't make the public care about it if they don't want to, but they have an obligation to treat the issue with the respect it deserves. Otherwise, how is the media any different than glorified press secretaries for the administration?