

# Ode To the Informed Public: The 'Fiscal Cliff' Negotiations As a House Fire...

☒ Imagine that you're standing outside on the street, in the bitter cold of the night, dressed in your pajamas. In horror, you're watching your home engulfed in flames. Imagine that the fire fighters have arrived, and with them are all the trucks, hoses, and other equipment required to start attacking the fire.

You know a lot of damage has already been done to your house, but the foundation is solid, many of your belongings can still be saved, and you're certain you can rebuild if the fire is put out in time. The problem is that there are two lead firemen standing in your front yard, arguing over how best to extinguish the flames. While the fire spreads and your house continues to burn, they keep arguing with neither of them giving in an inch. You're forced to watch helplessly as everything you've built up over the years is being destroyed.

*This is essentially what's happening right now with the 'fiscal cliff' discussions in Washington, and really with every time-sensitive, partisan battle (including the debt ceiling, annual budgets, etc) that has taken place over the U.S. economy in the past few years. You are the 'informed public' because you see the overall problem, recognize how it affects you, and are expecting the people whose salaries you pay to actually fix the problem. The house on fire is the collapsing state of the economy. The two firemen are our elected leaders from the Democratic and Republican parties. The 'uninformed public' is your next-door neighbor who calmly steps outside of his house to watch the light display.*

With a big smile on his face, your neighbor records the fire

on his iPhone, and wonders how long it will take to upload the video to YouTube later. He doesn't really seem to understand the situation, and is oblivious to the very real threat of the large, swirling flames soon jumping from *your* house to *his* house.

Your frustration turns to anger over the inability of the firemen to act professional, formulate a plan, and save your house. You run up to them to try and figure out what their problem is, and are shocked to hear the source of the stalemate. The fireman with the "R" printed on his helmet is proposing to hook up the hoses to fire-hydrants, and douse the flames with large quantities of water. The fireman with the "D" printed on his helmet is proposing to hook up the hoses to gasoline-tankers, and douse the flames with as much gasoline as possible.

You quickly realize that *Fireman D* is either dangerously ignorant or completely insane, but *Fireman R's* lower rank won't let him take control away from Fireman D to resolve the situation. You beg Fireman D to put out the fire with water, but he completely ignores you. Furthermore, your neighbor has now joined the argument and is backing the gasoline idea, purely because he finds Fireman D to be more personable and charming than Fireman R.

Reporters from the media show up and begin covering the fire with their lights and cameras. You run up to them and explain what's going on, and beg them to get the message out that you're going to lose your house because the guy in charge isn't taking the situation seriously. You hope that the media exposure will pressure Fireman D into doing the right thing. To your shock, however, you find that the media is on Fireman D's side. They broadcast live on the evening news that Fireman R is "obstructing" Fireman D from doing his job, and a house is going to be completely destroyed because of it.

You shout at the reporters in frustration, but they tell you

you're "just angry", and suggest that your anger is "racially motivated".

"What???" you scream out in utter disbelief.

The reporters point out that Fireman D is an African American – a fact that is completely irrelevant to you. While you insist that you're not a racist, and just want someone to save your house, the reporters skeptically roll their eyes, snicker, and whisper something among themselves about "dog whistles".

Your neighbor asks you why you don't want Fireman D to put out the fire, and you explain to him that a fire can't be put out with gasoline.

"Have you ever *tried* to put out a fire with gasoline?" he asks.

"Of course not!" you scream.

"Well then how do you know it won't work?"

You grab onto your hair and shout, "Because it's gasoline! It's flammable!"

"Flammable?" asks one of the reporters with a snide expression on his face. "Where did you hear such a stupid thing? FOX News?" All of the reporters laugh.

"It's common knowledge! It's common sense!" you wail.

At that point, you notice that your neighbor's house is now on fire as well, and you yell at him to turn around and see it. But he won't. He just looks at you like you're talking in a foreign language.

"There's nothing to be worried about, man," he says. "Fireman D says that he's 'looking out for me'. It's all good!" He then turns his attention back to his iPhone, and starts playing

video games on it.

"Listen..." begins Fireman D as he puts his arm around your shoulder. "I've been trying to compromise with the other fireman. I told him that while we're pumping gasoline through the hoses, he can use a squirt gun to try and fight the fire with water. It's a *balanced* approach."

"That sounds fair," quickly says a reporter.

"Yes, *more* than fair," says another one.

"I'm all about compromise," says Fireman D before he smiles and poses next to you for a quick picture from the press. "But the other guy is being completely unreasonable. He must *want* the fire to destroy this house. What's with this guy's obsession with water, anyway? He's probably in bed with *Big H2O!*"

The reporters laugh. Some even applaud. Your eyes are glazed over in disbelief.

Fireman D continues, "You see...In the past, we've tried it Fireman R's way and it didn't work! We've been using water to put fires out for a long time, and yet buildings still burn down! So his plan doesn't work!"

At your whits end, you say, "Sir... I know that burning buildings can't always be saved with water, but it's the best chance we have. Gasoline won't work! Gasoline will only make the problem worse! Please help me! I built that house with my own two hands!"

This seems to offend Fireman D, who raises his voice and condescendingly states, "You *didn't* build that! Somebody else made that happen!"

Minutes later, your house has been completely burnt to the ground and your neighbor's house with it. Your neighbor's still playing video games, unaware of anything happening

around him. The media is circled around Fireman R, angrily blaming *him* for the destruction, and citing his hardline, unreasonable demands as the cause. Fireman D is on his cellphone, coordinating plans for an upcoming Hawaiian vacation. You are sitting on the sidewalk, alone, with your face in your hands, wondering if the whole world has gone completely nuts.

*And...scene.*

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## What Rhymes with Mandate? Shmandate!

✘ What's this hoey about Barack Obama winning a mandate to impose his economically destructive agenda on the American people? It's understandable that the Democrats and their media lap dogs would try to propagate such hogwash, especially at a time when we are careening toward the so-called fiscal cliff – but must the more timid Republicans also sing that tune? I've just finished reviewing this year's state-by-state presidential election results – the final summation as far as I can tell – and I don't come away with the feeling that Obama received new marching orders from the electorate.

If anything, the results of the election – in which much of Obama's support from 2008 melted away – suggest that he has less of a mandate than he did when he started his first term.

The people don't seem to be urging him to go wild with his economically wrongheaded doctrines, but rather to cool it.

Let's start with the fact that he received 5 million fewer votes this time than last. That hardly seems like a national

vote of confidence, an affirmation that Obama has been doing something right, and that the people want more of the same. I dare say that if the 2016 Democratic presidential candidate draws 5 million fewer votes than Obama did this time, he or she will lose the election.

Republican candidate Mitt Romney, by contrast, got slightly more votes than John McCain did in the 2008 campaign against Obama, although their totals are so close that I would call them tied. So the election wasn't a case of a plague on both your houses. GOP voters stood by their party's candidate, many Democrats did not.

In only six states did Obama win a greater percentage of the major-party vote this year than he did four years ago. Those states are Alabama, Alaska, Louisiana, Mississippi, Maryland and New Jersey.

In the first four, all of them solid and reliable Republican states, one can assume that many GOP voters considered it a waste of time, and of \$4-a-gallon Obamagas, to venture to the polls. That their electoral votes would go to Romney was foreordained. In rabidly Democratic Maryland as well, it may be that GOP voters opted for frugality over futility.

As for New Jersey, that appears to have been an anomaly. New Jersey was probably going to go for Obama in any event, but he iced it when he spent a high-visibility half-hour in the state after Hurricane Sandy, and bestowed a French kiss, or whatever it was, upon turncoat Jersey Governor Chris Christie (R? I don't think so).

In only five states and the District of Columbia did Obama draw more votes than he did in 2008. The five states were Colorado, Louisiana, Maryland, North Carolina and South Carolina.

Colorado and North Carolina can be explained primarily by the heavy campaigning in battleground states. The other Obama

vote gains may reflect his campaign team's surprisingly effective effort to bring out the black vote in heavily black states, to help ensure that the first president of that color didn't get humiliated the second time around.

I hate to be a wet blanket, but I also must point out that in each of the places where Obama won more votes than in 2008, Romney won more votes than McCain. It was scarcely a tour de force for Obama. Both candidates benefitted from larger turnouts.

In only 16 states and the District of Columbia did voter turnouts increase from 2008. Battleground states were prominent in that group. Obama and Romney paid so many visits to the battleground states – and so few to anyplace else – that the residents of those states must have felt that it would be terrible manners to stay home all that Tuesday watching “The View” or “Dr. Oz.”

The battleground states with increased turnouts included Colorado, Florida, Iowa, Minnesota, Nevada, North Carolina, Virginia and Wisconsin. Given the outcomes in those states, one might dispute whether they all really belonged in the battleground category. But during the campaign it seemed that they did, and the mercilessly frequent visits from the candidates obviously got many voters off their duffs.

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## 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.