

# 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.