

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.

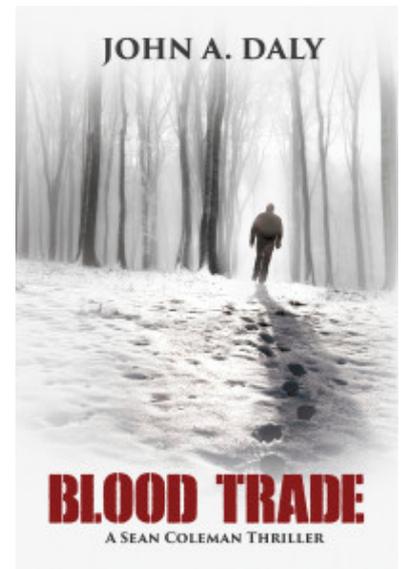
Well apparently, now that President Obama doesn't have run for office again, Buffett has had a change of heart. In a piece he recently wrote for the *Wallstreet Journal*, he now says that rich people are *not* to blame for the problems felt by the middle class.

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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