

More Money Won't Solve Problem
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By Cameron Smith

President Obama once noted that "if you've been successful, you didn't get there on your own." But the president's argument did not stop with the assertion that economic success fundamentally requires paying customers. Instead, the president essentially argued that the successful person somehow "owes" the government for the fact that he or she makes a good living.

For most businesses in America, making money is a fairly simple concept even if it is challenging to execute. In short, the business makes a product or provides a service that customers value more than the money in their pockets. As a result, the business profits and the customer receives something he or she values. But where is the government in that exchange?

The president argues that the business became successful in large part because of transportation infrastructure and an Internet created by the federal government. But this fundamentally begs the question of where the money for those projects came from.

Few will deny the utility of quality transportation infrastructure or the reach of the Internet, but the government did not generate the wealth that enabled those projects. While the "Field of Dreams" sentiment "if you build it, they will come" makes for great theater, it falls flat when applied to government action. A government's resources simply do not exist outside the economy it taxes.

Unfortunately, the current revenue base of almost \$2.5 trillion is not nearly enough grist for the Obama administration's political mill. In fact, the president's most recent "budget" calls for an additional \$1.3 trillion in debt. Stating that the wealthy need to pay a "little more" in order to trim federal deficits is such a serious understatement that it

borders on falsehood.

In 2009, the last year for complete federal tax data, tax returns with an adjusted gross income of more than \$200,000 incurred a total tax liability of almost \$450 billion. Assuming that the president could increase the tax liability for these "wealthy" individuals by 10 percent, the net gain to the federal government would be less than \$50 billion, barely a drop in the bucket against what Washington is spending. In truth, President Obama would need to tax those with returns in excess of \$200,000 at almost 50 percent of their total taxable income to trim even 25 percent of his \$1.4 trillion deficit in 2009.

It is little more than political theater to argue that there are some services and legitimate functions of government that most Americans have little trouble lending their consent or their tax dollars too. The hard truth is that a government comprising almost 25 percent of America's GDP needs major reforms, not just a little more cash.

Unfortunately, the president's mantra reflects the powerful siren call of the collectivist rather than support of the time-tested free marketplace. The warm notion that "we are all in this together" conveniently leaves off the rest of the sentiment ... "as long as you agree with me." To paraphrase Austrian economist F.A. Hayek, the only thing worse than submitting to the uncertain outcomes and inequalities of a free market is submission to an equally uncontrollable and arbitrary power of other men.

Americans can and must do better than simply give more control and send more money to Washington in an effort to solve the challenges facing the nation.

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