

DESTROYING THE MYTHS

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Myth #1: *Tax Cuts Cause Deficits*

By Chuck Bates

One of the more inane comments that was bandied about daily in the media and by Democrat members of Congress during the last weeks of 2010 (just prior to the passage of legislation that kept the Bush tax cuts in place for the next couple of years) is that cutting taxes will add to the government's deficit. History proves this is utter nonsense. In fact, it can be true *only* if government *continues to spend more than it takes in via taxes*.

Let's quash this notion once and for all by taking a look at the record.

History shows that, at various times throughout U.S. history, various presidents and congresses have agreed to cut tariffs and taxes, with the result being greater revenues to government. The tax cuts served to revitalize the economy, which began to grow, generating a healthier tax base, and in turn, more tax revenue for the public coffers.

From the late 1840s with President James K. Polk to the roaring 1920s under the direction of Treasury Secretary Andrew Mellon to Presidents John F. Kennedy, Ronald Reagan and George W. Bush tax cuts have always benefited the economy directly. Polk was able to persuade Congress to reduce the Tariffs Act, resulting in a growing economy that increased tax revenue to the point that the nation was able to cover the costs of the Mexican-American War and promote expansion of the nation from coast to coast.

Moving on to the roaring 20s, industrialist and philanthropist Andrew Mellon served three Presidents as Treasury Secretary. He came into the job when taxation was out of control; a mere eight years after the 16th Amendment established the federal income tax in 1913, the top tax rate had exploded to 77%, and the lowest rate was running 1% above the *original top rate* of 3%! The result was a lagging economy and a flight of capital. With some citizens witnessing 4/5ths of their income going to government annually, non-payment of taxes was becoming a serious problem. Mellon surmised that by lowering taxes across the board (making the top rate 24% of income and 0.5% the lowest), all income levels would do better financially. As a result of that change, the economy rallied, and the resulting boom filled the Government's coffers. It likely would have continued had the Federal Reserve left well enough alone and not drained the money supply directly preceding the crash of 1929.

Kennedy, Reagan and Bush all pushed for tax cuts and Congress agreed. In each instance the economy either grew or rebounded. According to research by the Heritage Foundation, Kennedy fought to reduce the highest rates from 90% to 70% of income and the result was a 62% increase in income tax revenues to government. Reagan was facing tax rates similar to those of Mellon's era, and the reduction of those rates was the foundation for the expansion of the U.S. economy over the next two decades. As a matter of fact, his efforts led to a 54% increase in tax revenues. And most recently of course we had the Bush tax cuts that enabled the nation to stay out of depression following the events of 9/11.

None of the afore-mentioned efforts caused any deficits. It has been Congress's addiction to spending and ever-larger entitlement programs that has created our giant deficits. High taxes slow economic growth and therefore the velocity of the money supply. Additionally it leads to less investment, and frankly, to tax avoidance. Consider Mr. Mellon's thoughts on the matter:

"The history of taxation shows that taxes which are inherently excessive are not paid. The high rates inevitably put pressure upon the taxpayer to withdraw his capital from productive business and invest it in tax-exempt securities or to find other lawful methods of avoiding the realization of taxable income. The result is that the sources of taxation are drying up; wealth is failing to carry its share of the tax burden; and capital is being diverted into channels which yield neither revenue to the Government nor profit to the people."

I never cease to be amazed at the audacity and pompous attitudes of politicians and government officials who seem to think that tax revenue is "their" money, instead of the people's hard-earned wealth. Recently Rep. Peter Welch (D-VT.) stated his views on extending the Bush tax cuts: "...now you got Americans excited about a trillion dollars that is going to be, in effect, given away."

Wrong, Mr. Welch. By preserving the Bush tax cuts, the money that stays in the hands of those who earned it is not being "given away." It belongs to those who earned it. It will be spent into the economy at their discretion, not according to the dictates of those obsessed with accruing and maintaining political power. Spending into the economy by the private sector has proven again and again to be far more beneficial overall than when greedy government levies taxes at levels that drain the wealth and prosperity of its citizens, its businesses and its industries, and in turn, the energy and vitality of the economy. Case in point: the miserable failure of the near-trillion-dollar stimulus that the President and his misguided advisors foisted on the American people at the very outset of the Obama presidency.

Bottom line: Tax cuts have been proven to heal the economy, not hurt it. It would seem that those squealing the loudest in pursuing the myth that tax cuts cause deficits are politically motivated, spendthrift politicians and their uninformed media shills.

Myth #2: ObamaCare Repeal Will Increase the Deficit

By the Editors, *Unravelling The New World Order*

When Nancy Pelosi was sworn in as House Speaker on January 4, 2007, the national debt stood at \$8.67 trillion. By the time she surrendered the gavel to Speaker John Boehner on January 5, 2011, the national debt stood at \$14.01 trillion. That means Speaker Pelosi *added more than \$1 trillion in debt per year* during her tenure as Speaker. And yet she had the audacity to tell reporters, "Deficit reduction has been a high priority for us. It is our mantra, pay-as-you-go."

Only someone as completely out of touch with reality as Ms. Pelosi would defend *a monstrous program that will add more than \$1 trillion a year to the debt if fully implemented* by saying

that repeal of such a fiscal monstrosity would *add to the debt!* But that is exactly what Pelosi and other leftists who are out there defending ObamaCare want the public to believe. On the day before she relinquished her position as House Speaker, Pelosi claimed that repealing ObamaCare would do "very serious violence to the national debt and deficit."

Nothing could be further from the truth.

It is true that the CBO did produce a report projecting that ObamaCare could produce \$124 billion of savings over its first 10 years; but no honest and intelligent person believes that score will ever become reality—not even the CBO. Doug Elmendorf, CBO Director, wrote, "CBO's cost estimate noted that *the legislation maintains and puts into effect a number of policies that might be difficult to sustain over a long period of time.*"

That's one big red flag. But then, Elmendorf then goes on to identify a number of questionable "cost cutting provisions" in the ObamaCare bill, such as *arbitrary reductions in the growth rate for Medicare spending*. Another red flag. Anyone who follows health care policy knows it will be impossible to actually implement such reductions.

Speaker Pelosi, in her effort to "get the score to come out right"—i.e., to get a cost figure from the CBO that showed the price-tag for ObamaCare under \$1 trillion—gamed the CBO and the American people by just ignoring completely how Medicare pays doctors. *Huge* red flag.

And there's another problem. How reliable have CBO forecasts been in the past?

In 1999, the CBO issued its 10-year forecast for 2000-2009, in which it predicted the U.S. was heading into 10 years of prosperity that would save us from worries over trillions in unfunded liabilities of Social Security and Medicare. That was based on the CBO's expectations of budget surpluses in every year from 2000 to 2009. The CBO even predicted that the surpluses would grow at an annual rate of more than 13 percent, accumulating to \$2.5 trillion during that decade.

Fact: In 2009, we didn't have a surplus, but instead, a record deficit of more than \$1 trillion.

So the question is this: If the CBO didn't know what was going to happen over the last 10 years, what makes anyone think they know what will happen now?

Are we going to believe the CBO, or our own "lyin' eyes"?

The "Doc Fix" Dilemma and the Unconstitutional Mandate

Early versions of ObamaCare included a permanent "doc fix" that prevented automatic cuts to physician reimbursements under Medicare (included to get physicians on-board for ObamaCare). But when Democrats couldn't get the CBO score to come out right with the doc fix *included*, they simply solved that problem by *cutting it out of the legislation entirely*. Since then—in order to quell outrage from physicians—they have had to pass two extensions of the doc fix in separate pieces of legislation!

There are other, politically suspect aspects of ObamaCare cost controls that were not recognized

as such by the CBO. One in particular is the *individual mandate* to buy health insurance, which is being aggressively challenged in the courts. Support among Democrats is also evaporating, particularly among those who have to face voters in 2012. Senator Claire McCaskill (D-MO) had no problem with voting for ObamaCare, but she is up for reelection next year and has now come out in favor of scrapping the individual mandate. She told MSNBC, "There's other ways we can get people into the pool I hope other than a mandate, and we need to look at that."

No-one believes President Barack Obama will sign a bill that would repeal his signature accomplishment as president. *But that does not mean a House repeal of ObamaCare would not have a significant effect.* It would be a strong signal to the nation that the new House is serious about honest deficit reduction, trimming the bureaucracy, and putting control of healthcare back into the hands of American families.

Last, but not least, a consistent effort to repeal ObamaCare encourages a mind-set among the American people that is absolutely mandatory if we are to see this nightmare of economic destruction go down to defeat. It is this:

We will NOT be content to nibble around the edges, tinker, massage and otherwise struggle to "fix" an unworkable monstrosity of legislation which *despite potentially irreversible damage to our healthcare system, our struggling economy, and our identity as a free, self-governing people*—was cobbled together for the political benefit of one party and the ideological aspirations of their leftist president.
