An Obsession with Fairness

Suppose you had no job and no investments. All of your assets existed in your checking account. The only tax you paid was a six per cent sales tax. A friend of yours has a job and pays 25% income tax. He complains that since you are paying just a six percent tax on your purchases that you are not paying your fair share.

You could argue that you already paid taxes on your income, or that the sales tax does not compare to income tax. But the emphasis on fairness seems silly in the light of these two different taxes.

This example was used by Neal Boortz on his radio show to explain the ludicrous comparison of Warren Buffet's income to his secretary.

Some rich pay a lower percentage of their total income because a bigger percentage comes from investments that are taxed at a lower rate. They can avoid taxes with tax free municipal bonds. Do we want to eliminate that favored status and raise the financing costs of our cities and states?

Buffet's income is largely capital gains tax while his secretary is likely to have mostly earned income. Is Obama suggesting that capital gains tax should be as high as income tax? If he is then this would surely drive us into another recession, longer and deeper than the one we just left. We compete in the world market for capital. We have one of the highest corporate taxes in the world and China has a capital gains tax rate of zero. I doubt if he could even get the Democratics in Congress to raise the taxes on capital gains as high as the income tax or eliminate tax free munis.

If he is not suggesting an equalization of capital gains and dividend tax rate to income tax rates, or the elimination of tax free bonds, then his whole argument is intentionally false

and misleading.

This whole debate has become a distraction from the serious work of reducing the deficit and shrinking the size of government. There are reforms in the tax code that have merit and should be considered. A limit on mortgage interest deduction would be at the top of my list. But this is far secondary to the more urgent and important task of reducing the size and expense of our government.

Even Warren admits that this higher tax rate will not seriously impact the deficit. And Obama has admitted that higher rates may reduce revenue. But both are so enamored with a sense of fairness that they are willing to make a public deficit problem worse. How is that fair for anybody?