

Just Tax the Rich and Pay off The Debt

For years, economic was defined as the allocation of scarce resources among competing groups and individuals. No two groups would seem more in competition in a society than the rich and the poor. The feeling among many people is that the rich got rich by exploiting the poor (labor). In their search for more equality, some people suggest increasing taxes on the rich and giving the additional money to the poor. Such was the thinking behind most socialist governments.

The problem with such thinking is that there simply aren't enough wealthy people making enough money so that by increasing their taxes the government would be able to pay for all its programs. A few years back, *Forbes* magazine reported that if the federal government took 100 percent of the income of the 35,875 millionaires in the U.S., the increase in revenue would run the government for just 12 days. If the total wealth of the 400 richest people in the U.S. were confiscated, it would pay for just three months.

Wealthy people make most of their money from investing in businesses. If the government were to increase their taxes, that investment money would no longer be there, and the economy would slow. Therefore, it is clear that taxing the rich isn't a solution to the government's problems. The tax burden always falls on the middle class, those people who are struggling to pay their mortgages, send their kids to school, and so forth. Increasing their taxes makes them poorer, and nobody feels better off. That's why recent tax bills have cut the taxes on the middle class or offered them more benefits, such as a start in college for their children.

The only long-term solution to meeting government needs is for the economy to grow. That increases the size of the pie and makes it possible for everyone to have more without taking it from someone else. The problem is that growth strategies are directly in conflict with goals of more equality. Growth often comes from cutting taxes on the rich. That encourages them to invest more and to make the economy grow.