



## Big Lies in Politics

The fact that so many successful politicians are such shameless liars is not only a reflection on them, it is also a reflection on us. When the people want the impossible, only liars can satisfy them, and only in the short run. The current outbreaks of riots in Europe show what happens when the truth catches up with both the politicians and the people in the long run.

Among the biggest lies of the welfare states on both sides of the Atlantic is the notion that the government can supply the people with things they want but cannot afford. Since the government gets its resources from the people, if the people as a whole cannot afford something, neither can the government.

There is, of course, the perennial fallacy that the government can simply raise taxes on “the rich” and use that additional revenue to pay for things that most people cannot afford. What is amazing is the implicit assumption that “the rich” are all such complete fools that they will do nothing to prevent their money from being taxed away. History shows otherwise.

After the Constitution of the United States was amended to permit a federal income tax, in 1916, the number of people reporting taxable incomes of \$300,000 a year or more fell from well over a thousand to fewer than three hundred by 1921.

Were the rich all getting poorer? Not at all. They were investing huge sums of money in tax-exempt securities. The amount of money invested in tax-exempt securities was larger than the federal budget, and nearly half as large as the national debt.

This was not unique to the United States or to that era. After the British government raised their income tax on the top income earners in 2010, they discovered that they collected less tax revenue than before. Other countries have had similar experiences. Apparently the rich are not all fools, after all.

In today’s globalized world economy, the rich can simply invest their money in countries where tax rates are lower.

So, if you cannot rely on “the rich” to pick up the slack, what can you rely on? Lies.

Nothing is easier for a politician than promising government benefits that cannot be delivered. Pensions such as Social Security are perfect for this role. The promises that are made are for money to be paid many years from now — and somebody else will be in power then, left with the job of figuring out what to say and do when the money runs out and the riots start.

There are all sorts of ways of postponing the day of reckoning. The government can refuse to pay what it costs to get things done. Cutting what doctors are paid for treating Medicare patients is one obvious example.





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That of course leads some doctors to refuse to take on new Medicare patients. But this process takes time to really make its full impact felt — and elections are held in the short run. This is another growing problem that can be left for someone else to try to cope with in future years.

Increasing amounts of paperwork for doctors in welfare states with government-run medical care, and reduced payments to those doctors, in order to stave off the day of bankruptcy, mean that the medical profession is likely to attract fewer of the brightest young people who have other occupations available to them — paying more money and having fewer hassles. But this too is a long-run problem — and elections are still held in the short run.

Eventually, all these long-run problems can catch up with the wonderful-sounding lies that are the lifeblood of welfare state politics. But there can be a lot of elections between now and eventually — and those who are good at political lies can win a lot of those elections.

As the day of reckoning approaches, there are a number of ways of seeming to overcome the crisis. If the government is running out of money, it can print more money. That does not make the country any richer, but it quietly transfers part of the value of existing money from people's savings and income to the government, whose newly printed money is worth just as much as the money that people worked for and saved.

Printing more money means inflation — and inflation is a quiet lie, by which a government can keep its promises on paper, but with money worth much less than when the promises were made.

Is it so surprising voters with unrealistic hopes elect politicians who lie about being able to fulfill those hopes?

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