



Fiscal Cliff Notes: Part II

One of the big advantages that President Obama has, as he plays “chicken” with the Congressional Republicans along the “fiscal cliff,” is that Obama is a master of the plausible lie, which will never be exposed by the mainstream media — nor, apparently, by the Republicans.

A key lie that has been repeated over and over, largely unanswered, is that President Bush’s “tax cuts for the rich” cost the government so much lost tax revenue that this added to the budget deficit — so that the government cannot afford to allow the cost of letting the Bush tax rates continue for “the rich.”



It sounds very plausible, and constant repetition without a challenge may well be enough to convince the voting public that, if the Republican-controlled House of Representatives does not go along with Barack Obama’s demands for more spending and higher tax rates on the top 2 percent, it just shows that they care more for “the rich” than for the other 98 percent.

What is remarkable is how easy it is to show how completely false Obama’s argument is. That also makes it completely inexplicable why the Republicans have not done so.

The official statistics which show plainly how wrong Barack Obama is can be found in his own “Economic Report of the President” for 2012, on page 411. You can look it up.

You may be able to find a copy of the “Economic Report of the President” for 2012 at your local public library. Or you can buy a hard copy from the Government Printing Office or download an electronic version from the Internet.

For those who find that “a picture is worth a thousand words,” they need only see the graphs published in the November 30th issue of *Investor’s Business Daily*.

What both the statistical tables in the “Economic Report of the President” and the graphs in *Investor’s Business Daily* show is that (1) tax revenues went up — not down — after tax rates were cut during the Bush administration, and (2) the budget deficit declined, year after year, after the cut in tax rates that have been blamed by Obama for increasing the deficit.

Indeed, the *New York Times* reported in 2006: “An unexpectedly steep rise in tax revenues from corporations and the wealthy is driving down the projected budget deficit this year.”

While the *New York Times* may not have expected this, there is nothing unprecedented about lower tax rates leading to higher tax revenues, despite automatic assumptions by many in the media and elsewhere that tax rates and tax revenues automatically move in the same direction. They do not.

The Congressional Budget Office has been embarrassed repeatedly by making projections based on the assumption that tax revenues and tax rates move in the same direction.



Written by [Thomas Sowell](#) on December 5, 2012

This has happened as recently as the George W. Bush administration and as far back as the Reagan administration. Moreover, tax revenues went up when tax rates went down, as far back as the Coolidge administration, before there was a Congressional Budget Office to make false predictions.

The bottom line is that Barack Obama's blaming increased budget deficits on the Bush tax cuts is demonstrably false. What caused the decreasing budget deficits after the Bush tax cuts to suddenly reverse and start increasing was the mortgage crisis. The deficit increased in 2008, followed by a huge increase in 2009.

So it is sheer hogwash that "tax cuts for the rich" caused the government to lose tax revenues. The government gained tax revenues, not lost them. Moreover, "the rich" paid a larger amount of taxes, and a larger share of all taxes, after the tax rates were cut.

That is because people change their economic behavior when tax rates are changed, contrary to what the Congressional Budget Office and others seem to assume, and this can stimulate the economy more than a government "stimulus" has done under either Bush or Obama.

Yet there is no need to assume that Barack Obama is mistaken about the way to get the economy out of the doldrums. His top priority has always been increasing the size and scope of government. If that means sacrificing the economy or the truth, that is no deterrent to Obama. That is why he is willing to play chicken with Republicans along the fiscal cliff.

To find out more about Thomas Sowell and read features by other Creators Syndicate columnists and cartoonists, visit the Creators Syndicate web page at www.creators.com. Thomas Sowell is a senior fellow at the Hoover Institution, Stanford University, Stanford, CA 94305. His Web site is www.tsowell.com.

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