Super Committee Dems Propose Massive Tax Increases

Democrats in the Senate Super Committee released its list of proposals to reduce the deficit, and it unsurprisingly includes over one trillion dollars in new taxes. ABC reports, “Democrats have proposed a framework for the Super Committee that multiple aides confirm is around $3 trillion in deficit reduction over the next decade through a cocktail of cuts to entitlements, including Medicare, and as much as $1.3 trillion in new tax revenues.” The Super Committee is faced with the task of finding a minimum of $1.3 trillion in savings before November 23, when a round of automatic spending cuts will take effect.

Democratic Representative John Lewis of Georgia defends the proposal by demonizing the so-called wealthy (anyone making over $250,000 a year). “The people of this country are looking for fairness. They are sitting in and sitting down to protest the unwillingness of the government to legislate with their best interests in mind,” said Lewis, who also criticized proposals to cut entitlement programs. “These proposals rob from the poor, the sick and the elderly, the very least amongst us.”

Regardless of the tired talking points, however, history reveals that tax increases will not target the group which lawmakers are attempting to hit with new taxes. Instead, the middle class will suffer as a result because those who do comply with paying the new taxes are individuals who own businesses that drive the economy in the country. The uber-wealthy will simply find places to hide their money, such as in foundations.

Additionally, journalist Kurt Nimmo explains, “After the $250,000 and above ‘rich’ (up to the untouchable multi-billionaires who never pay taxes, as [Warren] Buffett admitted) are taxed out of existence, the federal leviathan beast will turn on the middle class to raise revenue to pay for manufactured deficits (and a truly unpayable national debt) it insists we owe the bankers.”

Meanwhile, the real underlying problems that have gotten the country into this mess in the first place will still not have been addressed, and that is the deficit spending and the failures of the unconstitutional Federal Reserve’s policies. Texas Congressman and presidential contender Ron Paul explains:

> Both the public and most members of Congress do not understand the mechanics of how the Fed and the Treasury Department work together to create new money and new debt. It’s a circular process, but one that affects all Americans perhaps even more than the actions of their elected Congress.
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> In order to borrow money the Treasury Department creates new debt securities, which it sells at auction to banks. However, banks generally do not maintain excess liquidity for the purchase of additional assets, but rather loan out funds up to the limit of their reserve requirements.

> In order to facilitate the purchase of new Treasury debt, the Federal Reserve creates money out of thin air to purchase old Treasury debt from the dealers in the market. Banks then find themselves holding excess reserves, which they wish to get rid of by purchasing new assets — in this case newly issued Treasury debt.
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> These new excess reserves have an expansionary effect on the banking system. Given a reserve requirement of 5% and thus a money multiplier of 20, $1 billion of asset purchases by the Fed can result in $20 billion of new credit creation, as the initial $1 billion is loaned out through the banking system. This entire system is purely inflationary and causes prices to rise and the purchasing power of the dollar to fall.

Similarly, the Heritage Foundation observes that America's economic problem is spending, not a problem of revenues:

- By 2021, tax revenues will exceed their historical average of 18.4 percent of GDP — even if the Bush tax cuts were made permanent.
- Spending in 2021 will reach 26.4 percent of GDP — higher than the historical average of 20 percent.
- After 2021, spending will really take off, reaching nearly 35 percent of GDP by 2035 and fueled largely by entitlement spending.

Likewise, historical evidence reveals that increasing taxes does not increase revenue. As noted by the American Thinker, "Theoretically, there are two ways to increase revenue. Rates can be increased or the tax base, the amount of money that gets taxed, can increase. Common sense, and past history, shows that increasing tax rates can cause people to not invest." It continues:

> Conservative economists have historically pointed to an obvious conclusion. At some tax rate the revenues start going down. This is just common sense. If the economy is going well and the tax rate is 0% increasing it to 2% will probably increase government revenue. But if the economy is bad, so that people don't have a lot of money for investment, and the tax rate is 98%, raising it to 100% would probably reduce government revenues.

It is for these reasons that the Republicans on the Super Committee did not propose new taxes in their counteroffer. According to one GOP aide, the Republican proposal increases revenue without proposing tax hikes. Instead it includes $700 billion in spending reductions to Medicare and Medicaid. It also includes an offer of more than $600 billion in savings from new tax revenue.

"The very idea of reducing benefits … is unacceptable," said Rep. Jan Schakowsky (D-Ill.), co-chairwoman of the Congressional Task Force on Seniors.

But it's all the Republicans have to offer, as they are committed to resisting any proposals to raise new taxes because of the anti-tax pledge they signed with the Americans for Tax Reform.

Co-Chairman Jeb Hensarling contends that the Super Committee's greatest need is to address Medicare, Medicaid, and Social Security. Anything else, he asserts, will be "helpful" but will not permit the Super Committee to meet its goals. Instead, he indicates that the Super Committee must conceive of a plan of "quality healthcare and quality retirement security solutions" in order to meet its mandate to "significantly improve the short term and longer term fiscal imbalance."

Because of the absence of tax increases, Democrats have dismissed the GOP proposal.

"That doesn't sound like anything that would even be in the league," commented House Minority

Leader Nancy Pelosi.

"Republicans are choosing a pinky swear with Grover Norquist over real solutions the American people need to create jobs and improve our economy," said the Democratic aide. "Their offer is a joke. Democrats came to the table with an offer that had serious skin in the game for both parties. Rather than offering real solutions, Republicans are just doing more of the same posturing they do every time they walk away from efforts to constructively tackle this crisis."

Recognizing the difficulty of reaching a compromise, House Speaker John Boehner admits, “We’re into the real tough time. I expect that it’s going to be very difficult to get to an outcome, but I am committed to getting to an outcome.”

“We aren’t there yet, but I’m confident we are making progress,” said Sen. Patty Murray (D-Wash.). “And I’m hopeful we are moving quickly enough to meet our rapidly approaching deadline.”

Photo: Sen. Patty Murray, D-Wash., speaks as Senate Majority Leader Harry Reid listens at a news conference on Capitol Hill in Washington. Reid announced on Aug. 9, 2011, that he was naming Murray to co-chair a powerful "super committee" dealing with the national debt: AP Images