



Taxing the Rich

by **John Stossel** ([more by this author](#))

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Progressives want to raise taxes on individuals who make more than \$200,000 a year because they say it's wrong for the rich to be "given" more money. Sunday's New York Times carries a cartoon showing Uncle Sam handing money to a fat cat. They just don't get it.

As I've said before, a tax cut is not a handout. It simply means government steals less. What progressives want to do is take money from some -- by force -- and spend it on others. It sounds less noble when plainly stated.

That's the moral side of the matter. There's a practical side, too. Taxes discourage wealth creation. That hurts everyone, the lower end of the income scale most of all. An economy that, through freedom, encourages the production of wealth raises the living standards of lower-income people as well as everyone else.

A free society is not a zero-sum game in which every gain is offset by someone's loss. As long as government keeps its thumb off the scales, the "makers" who get rich do so by making others better off. (When the government allocates capital or creates barriers to competition, all bets are off.)

Of course, this is not the prevailing view among the intelligentsia. Columbia University Professor Marc Lamont Hill tells me, "Those who have more should pay more."

But is there a point where they stop producing wealth or leave altogether?

"The rich have always cried wolf like that," Hill says.

But the wolf is here. Maryland created a special tax on rich people that was supposed to bring in \$106 million. Instead, the state lost \$257 million.

Former Gov. Robert Ehrlich, who is running again for his old job, says: "It reminds me of Charlie Brown. Charlie Brown was always surprised when Lucy pulled the football away. And they're always surprised in Washington and state capitals when the dollars never come in."

Some of Maryland's rich left the state. "They're out of here. These people aren't stupid," Ehrlich says.

New York billionaire Tom Golisano isn't stupid, either. With \$3,000 and one employee, he started a business that processes paychecks for companies. He created 13,000 jobs.

Then New York state hiked the income tax on millionaires.

"It was the straw that broke the camel's back," he says. "Not that I like to throw the number around, but my personal income tax last year would've been \$13,800 a day. Would you like to write a check for \$13,800 a day to a state government, as opposed to moving to another state where there's no state income tax or very low state income tax?"

He established residence in Florida, which has no personal income tax.

Now Gov. David Paterson may have even seen the light.

"We projected that we would get \$4 billion, and we actually got well short of it," he says.

Art Laffer, the economist who has a curve illustrating this point named after him, isn't surprised.

"It's just economics," he says. "People don't work to pay taxes. People work to get what they can after tax. They'll change where they earn their income. They'll change how they earn their income. They'll change how much they earn, when they receive the income. They'll change all of those things to minimize taxes."

We can see it in the statistics. In 1960, federal revenues were 18.6 percent of total output. Over the next 50 years, that percentage has rarely exceeded 20 percent or fallen below 17 percent. As Laffer says, people adjust their activities to the tax burden.

Donald Trump, who knows something about making money, says of course the rich will leave when hit with higher taxes. "I know these people," he told me. "They're international people. Whether they live here or live in a place like Switzerland doesn't really matter to them."

You haven't left, I told him.

"I haven't left yet. ... Look, the rich people are going to leave. And other people are going to leave. You're going to end up with lots of people that don't produce. And then that's the spiral. That's the end."

And that's another good reason for us to get on with reducing the size of government.

John Stossel is host of "Stossel" on the Fox Business Network. He's the author of "Give Me a Break" and of "Myth, Lies, and Downright Stupidity." To find out more about John Stossel, visit his site at johnstossel.com.

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