



Tucker Hart Adams, president of the Adams Group, monitored and analyzed the Colorado economy for 30 years. She can be reached via her website, coloradoeconomy.com

Let's Soak the Rich

IN OUR NEVER-ENDING SEARCH FOR SOMEONE to blame for the world's economic mess, the newest target is the wealthy. If we just tax their "ill gotten" gains, deficits will disappear, jobs will be created and household incomes will rise. If only it were that simple.

No one is worth tens of millions of dollars annually to any organization. Not the best CEO or hedge fund manager. Not the best professional athlete. Not the most talented performer. Not even brilliant economists.

That said, punitive taxes on the rich aren't going to solve the deficit problem. They aren't going to put average household income on an upward trajectory. If they are set high enough, they might even have the opposite effect.

Is it true that a few of the very rich are getting richer while the rest of us are getting poorer? Let's start out with a few facts. Over the last 20 years, per capita income in Colorado has more than doubled, from \$19,377 in 1990 to \$42,226 last year. Even after adjusting for inflation, income has risen 24 percent. Most of that occurred in the go-go decade of the 1990s. It's fallen in nominal terms since 2008 and is up only 1.3 percent in inflation-adjusted terms since 2000.

Median household income (the level that half of the households are above and half below) has risen even faster. It peaked in 2008 at \$44,164 and has declined 1.1 percent since then. But over any reasonable time span we aren't getting poorer. It is a dangerous mistake to take a few years of data and project them far into the future.

But, you may argue, all of the gain is because the super rich got richer. Median pay of CEOs of large U.S. corporations rose 27 percent in 2010 to a median salary of \$9 million (including bonuses), while pay increases for all workers in private industry averaged only 2.1 percent. Let's tax it all away and get rid of the deficit problem.

But wait. Although it is true that the top 1 percent earned 18.3 percent of national income last year, they paid 32 percent of all income taxes. The top 10 percent paid about 70 percent of the total. The bottom half paid only 2.7 percent. If we imposed a 100 percent tax rate on the top 10 percent, it would raise about \$1 trillion. We can't get there by simply taxing the rich.

This country is not about everyone having the same

income level. That was the Soviet Union. Most of us are glad Bill Gates and Steve Jobs were well rewarded for technologies that changed our lives. Great fortunes were created that enabled an unprecedented level of philanthropy — building libraries, supporting the arts and education, battling disease and poverty around the world. Who knows, we might be the one who has the next great multimillion dollar idea.

This is all fine as long as in a time of economic growth both rich and poor benefit. The problem is when we believe the wealthy have rigged the game rather than won in honest competition. And fairness demands that in a time of economic pain, both rich

Punitive taxes on the rich aren't going to solve the deficit problem. They aren't going to put average household income on an upward trajectory. If they are set high enough, they might even have the opposite effect.

and poor feel it. The perception, perhaps the reality, is that this no longer occurs.

I've argued before that we should get rid of all tax deductions and have a flat income tax of, say, 20 percent. Social security taxes should be imposed on all income, not just the first \$106,000 of wages and salaries. Warren Buffet will no longer enjoy a tax rate lower than his employees.

This should provide plenty of revenue to pay for the appropriate government services (those that cannot better be provided by the private sector), eliminate the deficit over the business cycle (there really are times when deficits are appropriate), help the truly needy and provide the education and job training that will allow most of us to earn a decent living, even all of those newly unemployed CPAs and IRS employees.

That and a little cooperation on the part of our elected officials in D.C. would solve most of our fiscal problems. 