

# Charles Krauthammer: Obama's free-lunch egalitarianism

By Charles Krauthammer

Posted: 04/15/2012 12:00:00 AM PDT

HERE we go again.

At the beginning of his presidency, Barack Obama argued that the country's spiraling debt was largely the result of exploding health care costs. That was true. He then said the cure for these exploding costs would be his health care reform. That was not true.

It was obvious at the time that it could never be true. If government gives health insurance to 33 million uninsured, that costs. Costs a lot. There's no free lunch.

Now we know. The Congressional Budget Office's latest estimate is that Obamacare will add \$1.76 trillion in federal expenditures through 2022. And, as one of the Medicare trustees has just made clear, if you don't double count the \$575 billion set aside for the Medicare trust fund, Obamacare adds to the already crushing national debt.

Three years later, we are back to smoke and mirrors. This time it's not health care but the Buffett Rule, which would impose a minimum 30 percent effective tax rate on millionaires. Here is how Obama introduced it last September:

"Warren Buffett's secretary shouldn't pay a (higher) tax rate than Warren Buffett. ... And that basic principle of fairness, if applied to our tax code, could raise enough money" to "stabilize our debt and deficits for the next decade. ... This is not politics; this is math."

OK. Let's do the math. The Joint Committee on Taxation estimates this new tax would yield between \$4 billion and \$5 billion a year. If we collect the Buffett tax for the next 250 years - a span longer than the life of this republic - it would not cover the Obama deficit for 2011 alone.

As an approach to our mountain of debt, the Buffett Rule is a farce. And yet Obama repeated the ridiculous claim again this week. "It will help us close our deficit." Does he really think we're that stupid?

Hence the fallback: The Buffett Rule is a first step in tax reform. On the contrary. It's a substitute for tax reform, an evasion of tax reform. In three years, Obama hasn't touched tax (or, for that matter, entitlement) reform, and clearly has no intention to. The Buffett Rule is nothing but a form of redistributionism that has vanishingly little to do with debt reduction and everything to do with re-election.

As such, it's clever. It deftly channels the sentiment underlying Occupy Wall Street (original version, before its slovenly, whiny, aggressive weirdness made it politically toxic). It perfectly

pits the 99 percent against the 1 percent. Indeed, it is OWS translated into legislation, something the actual occupiers never had the wit to come up with.

Clever politics, but in terms of economics, it's worse than useless. It's counterproductive. The reason Buffett and Mitt Romney pay roughly 15 percent in taxes is that their income is principally capital gains. The Buffett Rule is, in fact, a disguised tax hike on capital gains. But Obama prefers to present it as just an alternative minimum tax because 50 years of economic history show that raising the capital gains tax backfires: It reduces federal revenues, while lowering the tax raises revenues.

No matter. Obama had famously said in 2008 that even if that's the case, he'd still raise the capital gains tax - for the sake of fairness.

For Obama, fairness is the supreme social value. And fairness is what he is running on - although he is not prepared to come clean on its price. Or even acknowledge that there is a price. Instead, Obama throws in a free economic lunch for all. "This is not just about fairness," he insisted on Wednesday. "This is also about growth."

Growth? The United States has the highest corporate tax rate in the industrialized world. Now, in the middle of a historically weak recovery, Obama wants to raise our capital gains tax to the fourth highest. No better way to discourage investment - and the jobs and growth that come with it.

Three years ago, Obama promised universal health care that saves money. Today, he offers a capital gains tax hike that spurs economic growth. This is free-lunch egalitarianism.

The Buffett Rule redistributes deck chairs on the Titanic, ostensibly to make more available for those in steerage. Nice idea, but the iceberg cometh. The enterprise is an exercise in misdirection - a distraction not just from Obama's dismal record on growth and unemployment but, more importantly, from his dereliction of duty in failing to this day to address the utterly predictable and devastating debt crisis ahead.