



The Daily Dish

A Real Debate on Redistribution

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Last week the Obama Administration hit a milestone by passing its 600th major regulation. A major regulation is defined as having an economic impact of \$100 million or more and can significantly affect prices for consumers. American Action Forum analysis found the total regulatory burden of these 600 regulations surpasses \$740 billion.

On Friday, a group of attorneys general from 27 states requested EPA Administrator Gina McCarthy to extend the comment period for the clean power incentive program, a voluntary part of the Clean Power Plan, by 60 days once the court stay on the plan is lifted. While the EPA is unlikely to grant the extension, the states argue the extension is “required by law.” The EPA’s Clean Power Plan is likely to head to the Supreme Court and states argue their time should not be spent complying with a program that will likely no longer exist if the Clean Power Plan is ultimately struck down by the Supreme Court.

Eakinomics: A Real Debate on Redistribution

The benefits formula in Social Security is progressive and redistributes from high lifetime earnings to low lifetime earners. Medicare is universally available, and premiums are more expensive for the affluent than the poor. Medicaid is targeted on the low-income populations of the U.S. The Affordable Care Act subsidies are phased out as income rises, embedding progressively into the system. The Earned Income Tax Credit (EITC) transfers income to low-income workers. The Supplemental Nutrition Assistance Program (SNAP, or food stamps), unemployment insurance, Supplemental Security Income, and other programs provide income to low income Americans. All told these spending programs amounted to \$2.3 trillion in spending in fiscal 2016 — an enormous commitment to poverty and inequality reduction.

Why, then, is raising taxes — and taxes for the affluent — the only policy the left has to offer regarding income distribution? For perspective, the top 20 percent of the income distribution pays 70 percent of federal taxes, and federal revenues were \$3.4 trillion in 2016. Their contribution easily exceeds the combined defense and non-defense discretionary spending of \$1.2 trillion. That is, the affluent pay for the entire government that the Founders envisioned — national security, basic research, infrastructure, education, etc. — and contribute another comparable amount of tax revenues to funding the entitlement transfer programs.

The “right” income distribution is in the eye of the beholder (and, by the way, the left never reveals exactly what they are aiming for — that is, when is the income distribution “right”), but ceaseless attempts to take ever more income in taxes ultimately dulls the incentives to work, save, innovate, invest and otherwise foster economic growth. The left seemingly does not believe in this tradeoff, having convinced itself that higher and higher tax rates have no economic consequence.

That is transparently wrong — and inconsistent. Taxes change the price of work, the price of buying a retirement future, the return to education, and countless other prices in the economy. Surely nobody is making the argument that people ignore the prices when deciding their economic activity?

The policy debate would be far more realistic if it acknowledged that higher taxes have both benefits and costs.

And it would be richer yet if it was informed by the fact that taxes are by far less important for income distribution than federal spending programs.