



Insight

What's the Point?

GORDON GRAY | APRIL 16, 2012

A careful review of President Obama's arguments in favor of the Buffett Rule, it's not clear what the problem the Buffett Rule is supposed to address. And it doesn't seem like the administration is sure either. In the State of the Union, when the president formally trotted out the Buffett Rule as a centerpiece of his campaign-year economic policy platform, he questioned the tax treatment of the wealthy contrasted with higher spending on "investments", he noted that "Because if we're serious about paying down our debt, we can't do both." Indeed, having the rich pay higher taxes was couched by the president as "[how we'll reduce our deficit](#)." So, according to the president, the Buffett Rule is a budgetary imperative.

Not so fast.

It seems the rhetoric ran head first into the facts, after the Joint Committee on Taxation, the non-partisan budget referee, estimated that the Buffett rule would raise about \$47 billion over ten years – less than one percent of the ten year deficit under Obama's budget. So, the administration [changes gears](#), arguing that the Buffett Rule really isn't a budget solution, but a "fairness" issue. Never mind the fact that as noted by a [recent analysis](#) by Douglas Holtz-Eakin's in this sense, the Buffett rule is a solution in search of a problem, with the average effective tax on millionaires already 30 percent, the "fair share" established under the Buffett rule.

Perhaps the administration recognized the intellectual dishonesty of the latest pitch for the Buffett Rule, and evidently changed gears again. While in Colombia, the president recapitulated the Buffett Rule as a [growth measure](#). To be sure, the argument that raising taxes and adding complexity to a broken tax code will somehow improve long-term growth doesn't even pass the laugh test. But this third argument does have one thing going for it: it's not one of the first two.