

THE MIDDLE CLASS: Where the Money Is

“In December, I agreed to extend the tax cuts for the wealthiest Americans ... But we cannot afford \$1 trillion worth of tax cuts for every millionaire and billionaire in our society. We can’t afford it. And I refuse to renew them again...” — BARACK OBAMA, WHITEHOUSE.GOV, 4/13/11

Class warfare is the central operating principle of this President, so it wasn’t a surprise that he demonized the wealthy in his infamous “deficit” speech at George Washington University in April. But his hit on millionaires and billionaires was pure bait-and-switch.

Just a day later, OMB Director Jack Lew clarified: the coming taxes are aimed at a lower threshold. Obama’s “millionaires and billionaires” morphed into individuals earning \$200,000, or families earning \$250,000. And mark my words, before the dust has settled, the actual figure will be much, much lower. As Obama’s own former budget director, Peter Orszag, admits in *The Financial Times*, “it is difficult to see how the medium-term federal deficit can be reduced to sustainable levels without additional tax revenues from those earning less than \$250,000 a year.” Translation: bend over, grab the ankles: we’re coming after the middle class.

The figures out of Washington are truly terrifying. According to the Heritage Foundation, by 2012 Social Security, Medicare, Medicaid, and the interest on the debt from deficit spending will consume *all tax revenue*. All of it. As *Commentary* points out, under Obama’s 2012 budget, spending will be a record \$3.73 trillion: “The Obama Administration’s 2012 budget proposal projects this year’s deficit to reach \$1.645 trillion — the largest on record. This is now a record fourth straight trillion-dollar-plus deficit ... in 2008 the debt held by the public was \$5.8 trillion; in 2012, the Obama budget projects it will be \$11.881 trillion — and in 2019, it is projected to be \$17.3 trillion.”

That money has to come from somewhere.

The left pretends that this problem would be solved if the super-rich would only “contribute” more of their “fair share” — and sadly, that old page out of the liberal handbook has worked. Obama’s efforts to stoke class warfare have been effective; according to a recent *Washington Post/ABC News* poll, 72 percent support raising taxes on the wealthy.

But the truth is, soaking the rich would have minimal effect on the bottom line. As Joel Slemrod, Director of the Office of Tax Policy Research at the University of Michigan, told Bloomberg News, “It’s just not possible to get the revenue you need only from this group.” A recent *Wall Street Journal* editorial noted that even

if the IRS were able to confiscate 100 percent of all the income from the “millionaires and billionaires” that Obama is so obsessed with, the total would only be \$938 billion. That would barely cover the cost of Porkulus, and come more than half a trillion short of Obama’s \$1.65 trillion deficit.

Moving a few rungs down the economic ladder, even if the IRS were able to confiscate 100 percent of all the income above the \$100,000 mark — hardly billionaire territory — the yield would be \$3.4 trillion, which still doesn’t even equal Obama’s 2012 budget.

This means, according to *The Journal*, “in the absence of entitlement reform on the Paul Ryan model, Washington will need to soak the middle class — because that’s where the big money is.”

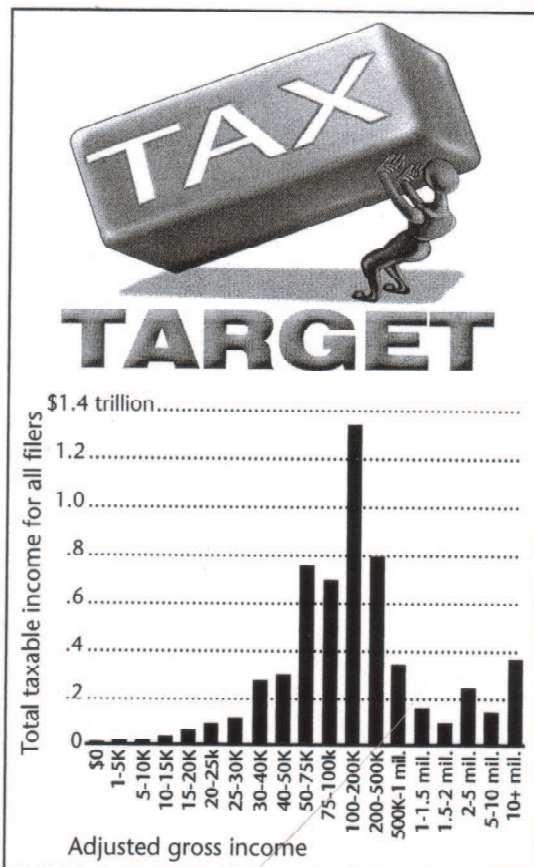
The chart doesn’t lie, as “the hump in the center is where Democrats are inevitably headed for the same reason that Willie Sutton robbed banks.” That “hump” is just sitting there, driving the Dems crazy. They want it, they can just about taste it; the only question for them is: how to grab it? As Ross Douthat points out in *The New York Times*, the libs have a stealth plan to cut the deficit with middle-class tax hikes.

It’s called the “current law baseline,” a CBO projection that relies on three awful policies: One, the Bush-era tax cuts aren’t renewed in 2012. Two, the Alternative Minimum Tax — which is supposed to hit only the rich but increasingly bites into middle-class paychecks — isn’t indexed for inflation. And three, Medicare payments to doctors are slashed by 20 percent.

Boom! The deficit supposedly drops away over the next ten years. All we need to do is let taxes keep on rising. Thanks to inflation and bracket creep, the tax code will subject more and more Americans to punitive tax rates that now only hit the wealthy.

In his 2012 budget released in February, Obama said that “not extending the middle-class tax cuts would have hurt our nascent economic recovery...” Now, four months later, either the Man-Child doesn’t remember that he said it, or he doesn’t care whether we remember it, because everyone knows there’s no recovery, nascent or otherwise.

Hope and change. Which as we all now know, means: hold on to your wallets. ■



SOURCE: IRS, 2008 FIGURES (LATEST AVAILABLE), VIA THE WALL STREET JOURNAL