



GOVERNMENT IS THE CAUSE OF INCOME INEQUALITY, NOT THE CURE – PART II

Democrats continue to use “income inequality” as an effective wedge issue, according to Jim Tobin, noted Chicago economist and President of Taxpayer Education Foundation (TEF).

"Actually, it is federal and state, and local governments that transfer wealth from average taxpayers to the wealthy, to politicians' pet projects, and to favored labor unions and industries. This practice of shifting taxpayer wealth is a bipartisan one that has been going on for decades."

Tobin cited the following examples:

“One of the most egregious examples of crony capitalism is the bailout of the auto industry. Bailing out floundering General Motors and Chrysler cost taxpayers \$10.5 billion according to the Treasury Department.”

“The notion that the auto industry would crumble if the irresponsible leadership of the auto companies was held accountable for their reckless risk-taking is preposterous. GM and Chrysler are suppliers and had they fallen, the demand would still exist. New companies would have emerged and the companies who acted responsibly would have been rewarded for doing so. There would have been a shift on the supply side, but the demand, which drives innovation, would have continued to thrive and fuel a renewed auto industry.”

“And of course, there is Warren Buffett, one of the wealthiest men in the world. [Buffett’s Berkshire Hathaway firms received \\$95 billion from TARP](#). Berkshire held stock in Wells Fargo, Bank of America, American Express and Goldman Sachs, which received not only TARP money but also Federal Deposit Insurance Corp. (FDIC) backing for their debt, worth a total of \$130 billion. Buffett also received better terms for his Goldman investment than the government got for its bailout. His dividend was 10 percent, in contrast to the government’s 5 percent.”

"Another example is tax breaks for large companies to keep them from leaving a state. Smaller companies not big enough to hold a state hostage end up paying higher taxes to make up the difference. Boeing, the world's largest maker of commercial aircraft, chose Chicago over Dallas and Denver after it was promised tax breaks and incentives that could total \$60 million over 20 years by the city and the State of Illinois."



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“We all know that the Springfield bureaucrats won’t cut spending to match the reduction in taxes to Boeing. Instead, the rest of us are expected to pay even more. The way to attract businesses is to keep tax rates low enough to be fair and reasonable for everyone. It is unconscionable to give tax breaks to the big companies that are subsidized by the average taxpayers.”

"Farm subsidies are yet another tax shift that hurts taxpayers and consumers. According to *The Week*, over the last decade, the farm bill has cost taxpayers more than \$168 billion. The program keeps food prices high, costing consumers billions, while funneling most of its aid to giant agribusinesses and wealthy farmers. About 75 percent of total subsidies go to the biggest 10 percent of farming companies."

"Huge subsidies for solar energy hide its true cost," said Tobin. "According to the *Wall Street Journal*, solar is 67% more expensive than wind and twice as expensive as natural gas. Solar costs about 80 cents per kilowatt hour (kwh) compared to the national average of about 10 cents per kwh although the consumer of the solar energy isn't paying more. Taxpayers are effectively paying a portion of the energy bill for the consumers that utilize solar energy through subsidies. Solar energy is one of the worst ways to reduce carbon emissions. McKinsey and Company's analysis found that nuclear, wind and even coal with carbon capture are more effective."

“There are thousands of such programs that siphon wealth from average taxpayers and pad the bank accounts of those who take advantage of this popular mechanism that is part of the corrupt practice of buying votes through special interest legislation. Both political parties are robbing taxpayers blind by transferring wealth from average taxpayers to large companies and industries,” said Tobin. “Unless taxpayers start sending representatives to Washington who will represent them and not special interests, they will continue to have their finances ravaged by these crooks.”

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