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Patriotic Millionaires

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Distinctly Catholic

Yesterday, Michel Martin, host of the NPR show "Tell Me More" had a great segment featuring Dennis Mehiel, former chairman of the board at U.S. Corrugated and a member of the group "Patriotic Millionaires for Fiscal Strength." Mehiel was joined by a small business owner here in DC, Andy Shallal, whose popular "Busboys and Poets" bookstore/cafes are a quintessential form of small business. Both men helped debunk some of the ideological nonsense that has, so far, succeeded to skewing the entire debate about our nation's economic future.

The Patriotic Millionaires were begun in November 2010. Their open letter to the President, Speaker Boehner and Majority Leader Reid states: "Our country has been good to us. It provided a foundation through which we could succeed. Now, we want to do our part to keep that foundation strong so that others can succeed as we have. Please do the right thing for our country. Raise our taxes."

Our country has been good to us. There it is: a sense of gratitude and connectedness, two sentiments that are not found beating in the breasts of the protean heroes of Ayn Rand's books. For them, self-assertion is the path of morality. For the Patriotic Millionaires, they say, "Our country faces a choice - we can pay our debts and build for the future, or we can shirk our financial responsibilities and cripple our nation's potential." This sense of inter-generational responsibility comes in part from a sense of altruism, another virtue unknown to John Galt.

This sense of gratitude can be painted in darker tones as well. The wealthy have the most to lose if the economy tanks and social stability is threatened because of that economic decline. A successful businesswoman may have toiled all of her life to make a better life for her children, but can properly worry that the world those children will grow up in will be less stable than the one in which she was able to flourish precisely because the combination of unregulated capitalism, steep cuts in social benefits, and

increasing income inequality has never been a recipe for a happy society. Cong. Ron Paul and his son the Senator from the Commonwealth of Kentucky would never mimic Marie Antoinette's "Let them eat cake" dismissiveness, but you can imagine that the Paul's objection to the ill-starred queen's suggestion was not its dismissiveness, but its injunction, and that they would be happy with its Randian equivalent, "Let them eat whatever they want or can."

But, the most interesting thing about Martin's interview was not the ideology or attitudes of the Patriotic Millionaires and the local small businessmen on any ideological point. What was stunning – truly stunning, that is, go listen to the audio now stunning – is the matter-of-fact way they both explained that marginal tax rates really do not affect their hiring in the least. One of the myths abroad in the land, spread by the Chamber of Commerce and the GOP, is that raising marginal rates will mean that small business owners have less money to hire new workers. But, a small businessman, or businesswoman, hires another employee not because of the tax consequences but because they have sufficient business demand to warrant hiring another employee. Yes, in budgeting payroll, you have to remember the hidden expense of payroll taxes. And, your payroll costs obviously must be a part of your entire budget process. But if you need another waiter, or another sales clerk, or another tour guide, or another hairdresser, because customers will start leaving if they have to wait any longer, you hire that person regardless of what the marginal tax rates are. That truism of small business hiring was true in the 1950s when top tax rates were at 90% and it is true today.

The Democrats need to be very clear for the next year about the choices the nation faces. We can, as the Republicans want, completely change the social contract, turn Medicare into a voucher program, eviscerate spending for the poor, and give larger tax breaks to the rich. Or, we can raise taxes on the rich, try to achieve some savings in health care without changing the fundamental nature of Medicare's guaranteed benefit, and maintain the social contract. Those are the choices. It will do the Democrats no good to beat Republicans by running against Medicare cuts unless they also garner a mandate to raise taxes. The long-term deficit issues must be faced and the Democrats must come up with a plan to face it.

Of course, even a slight decrease in the rate of growth of health care costs improves the long-term fiscal picture enormously. That's right – we do not need to see health care costs decline, we just need to bend the increase. And, if the economy gets going, a 3 percent growth rate produces a much less bleak fiscal outlook over the long-term than a 2 percent growth rate. A bit more Keynesianism in 2010 and 2011 would be a good idea, but the Tea Party put the lazy back into laissez-faire and so such obvious solutions are now politically impossible.

Listening to the patriotic millionaire and the small businessman yesterday, however, I thought that this economic situation will all come clean in the wash. The "crisis" is not as dire as the Republicans suggest. Reasonable solutions are at hand. Reasonable businesspeople want to do their part. If only we can drive a stake through the heart of this silly, sophomoric Ayn Rand nonsense that seems to have so inspired Congressman Paul Ryan and, in other ways, delivered ideological justification for a contemporary Hooverism.

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