NATIONAL CATHOLIC REPORTER
Published on *National Catholic Reporter* (http://ncronline.org)

Analyzing the 1 percent

Pat Perriello | Oct. 24, 2012 NCR Today

With the election just two weeks away, Americans are still faced with the choice of what kind of government we want. The addition of Paul Ryan to the Republican ticket has resulted in questions about greed, tax policy, and the fate of highly popular entitlements and programs for the poor.

The Republican rhetoric of tax cuts and small government has frequently won the day. The arguments sound good and seem to provide a simple answer to many of our problems. Nobody has to sacrifice, and we don't need to worry about what happens to anyone else. What seems to get lost in the debate, however, is that we have data to illustrate what kind of policies have worked and what kind haven't. An excellent example of this is provided in this *Baltimore Sun* editorial [1] by David Wise.

In an article titled "Job Creators, or Return Seekers?", Wise reviews the effectiveness of government policies in the last two decades. It turns out that during the Clinton era of relatively higher taxes, 23 million jobs were created. During the Bush era of lower taxes, there was significantly lower growth and fewer jobs created, even before the beginning of the Great Recession. Expanding his study to include the last 70 years, Wise finds that when the top marginal tax rate was 39.6 percent or higher, the top rate during the Clinton years, U.S. GDP growth was at 3.8 percent. When rates fell below that level, GDP growth was at 2.1 percent. Clearly higher tax rates are not a hindrance to economic growth and prosperity, as political rhetoric would suggest.

Wise states flatly, "More money in the hands of these corporations and individuals will do nothing to stimulate domestic investment and job growth." He points out that the real interest of business is not to create jobs but to make money. If companies can enhance profits by hiring people, great, but if outsourcing jobs and reducing the size of the workforce through technology is the ticket to greater profits, that is the direction they will go. While this may constitute good business, it does not constitute a strategy for job creation.

Wise seems to suggest the problem is that consumers are receiving less and less of the pie. Thus, their capacity to spend has been reduced, and the economy is suffering as a result. The "job creators" are driving this economy, and they are being driven by their greed. They insist on lower taxes and less regulation. This will result in higher taxes on the middle class, severe reductions in programs for the poor and middle class, or both. Fewer investments will be possible to promote the general welfare, but our 1 percent will continue to amass more and more of the country's wealth.

Business is an important part of what makes this country great, but so are workers, parents, students, immigrants and those who are struggling to make ends meet. As the saying goes, "We are only as strong as our weakest link." Sometimes, we seem to defer to business leaders as those who know best. They don't. They know what is best for them, but that is not what is always best for the country. We can do better, but only if our efforts include making life better for everyone, not just the 1 percent.

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[1] http://www.baltimoresun.com/news/opinion/oped/bs-ed-job-creators-20121022,0,617457.story