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### June 10, 2011: What Are the True Sources of Wealth?

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Title: What Are the True Sources of Wealth?

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6/10/2011—It is a caricature that Republicans believe what is good for General Motors is good for America. It is a caricature in part because positive government action was good for General Motors and many Republicans opposed it. The modern version of this saying is that Republicans believe that rich people create wealth. During the budget negotiations a few weeks ago, House Speaker John Boehner said, "It's clear from this morning's jobs report that the economy still isn't creating enough jobs. You talk to job creators around the country like we have, they'll tell you the overtaxing, overregulating and overspending that's going on here in Washington is creating uncertainty and holding them back. If we're serious about creating jobs in America, we can't raise taxes on the very people who create jobs, and keep spending money that we don't have." Now I agree with Boehner that spending money we don't have is not a long-term path to prosperity. But it was President Bush who turned surpluses into deficits in order to lower taxes on those people who "create jobs". Well, since President Obama only wants to raise taxes on persons who earn more than \$250,000 per year, it is fair to say that Boehner believes that rich people "create jobs". Of course I am not being quite fair. Boehner would not say that all rich people create jobs. He means that entrepreneurs—business owners—create jobs. I'm not going to point out how silly it is to suggest that higher taxes discourage economic activity by entrepreneurs. I guess that might be true if marginal rates climbed back to 70%, where they used to be (when America was actually prosperous), but certainly it is silly to suggest that rates of 30% vs 35% would make any difference. However, that is not the real problem with Boehner's worldview. The problem is where he thinks wealth and jobs come from. They don't come from brilliant individuals with clever ideas. Wealth and jobs come from meeting needs of people who can afford to buy products and services. In other words, wealth is created by markets not by entrepreneurs, by demand, not by supply. The reason we don't have jobs has nothing to do with regulations, which are always around, or taxes, which are historically low. We lack jobs because we have over time eviscerated the middle and working classes, specifically in search of unleashing the power of Boehner's alleged job creators. This policy of channeling money to the wealthy has failed. Why don't we go back to the policy of the postwar and try to spread the wealth around? If you want to see a heavily taxed, heavily regulated, job creating machine, you only have to look at China and its enormous market.