

Re: LVT dustup over at AngryBear

Source: <http://sci.tech--archive.net/Archive/sci.econ/2005-08/msg00012.html>

- *From:* Folsom Inmate <nomail@xxxxxxxx>
 - *Date:* Sun, 31 Jul 2005 19:27:16 GMT
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"ruetheday@xxxxxxxx" <ruetheday@xxxxxxxx> wrote in
<news:1122770809.635030.113360@xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx>:

> Really? I found his comment that a high and steeply progressive income
> tax is the ultimate solution for unemployment to be completely
> misguided and illogical. While there is definite merit to the use of
> traditional Keynesian fiscal policy as a countercyclical stabilization
> mechanism, the idea that chronic unemployment is a problem best solved
> through the application of higher taxation on productive activity (such
> as labor itself) is absurd.

Not at all.

If anything is absurd, it is the insistence of supply-siders that there is an inverse correlation between taxes and economic growth. Supply-siders continue to cling to the fantasy that lower taxes automatically boosts GDP even when shown data that refutes their argument.

1951 to 1964: the top marginal rate was 91% for incomes of \$200,000 or more. During the same period GDP rose from \$329 Bil to \$563 Bil (today's dollars), or about +4.6% annual growth. Today, with the top marginal rate of 35%, we are averaging about +3.5% annual GDP growth. Supply-side theory always falls apart when tested with real data.

Supply-siders are wrong, there is no statistical correlation between economic growth and taxation. Growth happens despite taxation. I believe taxation spurs economic growth because the government always spends taxes, which in turn disperses money among corporations, supply chains and individuals, who in turn purchase goods and services, which stimulates more hiring, spendings, taxing, and so on. OTOH, supply-side economics concentrates money into few hands, drying up demand among the lower-income population and ultimately causing economic contraction.

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- *Follow-Ups:*

Re: LVT dustup over at AngryBear

- ◆ **Re: LVT dustup over at AngryBear**
◇ From: Les Cargill
- ◆ **Re: LVT dustup over at AngryBear**
◇ From: ruetheday@xxxxxxxxxxx
- ◆ **Re: LVT dustup over at AngryBear**
◇ From: William F Hummel

• **References:**

- ◆ **Re: LVT dustup over at AngryBear**
◇ From: ruetheday@xxxxxxxxxxx
- Prev by Date: **Re: the Fed: comment from weblog**
- Next by Date: **Re: LVT dustup over at AngryBear**
- Previous by thread: **Re: LVT dustup over at AngryBear**
- Next by thread: **Re: LVT dustup over at AngryBear**
- Index(es):
 - ◆ **Date**
 - ◆ **Thread**