

Letter to the editors, Lancaster Intelligencer Journal/New Era – October 5, 2011

Debunking the supply-side myth

To the editors:

This goes out to all those who support the ill-conceived ideas of tax breaks for the wealthy. Today's headline says that unemployment has risen once again since those tax breaks were extended. What happened?

They were supposed to solve this problem because when the wealthy get extra money, they stimulate the economy by creating jobs. This is what's wrong with supply-side economics. Its supporters seem to think the wealthy are benevolent and will gladly pump any money saved in tax breaks back into the economy.

However, this is not the case. Instead, they invest such funds into more stocks, etc., and make no contribution to the general economy. It didn't work under Reagan, Bush I or Bush II so why would it work now? The wealthy are exploiters of the workers, not benevolent toward them.

On the other hand, money from tax breaks for the working classes is immediately used and put back into the economy. This was shown through the government payoff a few years ago where people were encouraged to put the money into investments/savings. Instead, most people who received this money used it to make new purchases or to pay off old bills.

Another example of this is how money from tax returns is used. Many in the working class use this as a way to help pay for vacations or to purchase large-ticket items for the household. Both of these actions immediately affected the economy by creating new demand. Business owners have said that until demand is up they will not hire new employees. After all, why pay someone (other than politicians and the already wealthy) to do nothing?

Maybe the best way to end this recession is to eliminate the tax breaks and curtail deductions for the rich, place higher taxes on corporations -- if they are individuals then let them pay income tax on their earnings in addition to any corporate taxes -- and lower tax obligations on the workers who keep the economy churning.

This will provide more discretionary funds into the hands of those most likely to spend it.

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