



Fairy Dust

"I am in favour of cutting taxes under any circumstances and for any excuse, for any reason, whenever it's possible."

Economist Milton Friedman

Over the weekend, US Presidential hopeful Mitt Romney declared his Vice President running mate would be Congressman Paul Ryan, 42, from Wisconsin. Ryan may seem young, but has been a Congressman for 14 years, having won seven consecutive elections. He comes from a lower middle class background. His father passed away when he was but 16 years of age. He has a stellar track record in the House with a calm but persistent disposition. More importantly, he may be THE authority on the US Budget numbers.

By choosing Ryan, Governor Romney has laid the grounds for this November's election; tax and spending big government versus fiscally responsible and small government. He assumed this year's election will be about two opposing economic philosophies.

President Obama has chosen to run on class warfare, us vs. them, rich vs. poor. This has been a theme of his for many months now, but none more evident than a speech he made last week where he tossed out a one-liner referring to Romney-hood. It got some chuckles, but it was an incendiary statement designed to go beyond painting Mitt Romney as a crook, it was also intended to depict all so-called rich people as thieves. It is backward thinking and I believe an insult to free markets, capitalism and to the American way. It's intended to rouse the people to arm themselves with torches and pitchforks and to storm the "castles" of the successful.

Just consider comments from former Democratic House Majority Leader Nancy Pelosi, who has said it a million times about her economic theory:

"It is the biggest bang for the buck when you do food stamps and unemployment insurance.....The biggest bang for the buck."

She has stated that for each dollar in *Fairy Dust* from the Federal Government, a full \$1.79 is put into the economy. If you follow her theory, then logically the "rich" would root for a second term for this administration. If you followed her logic, if we all went on food

stamps, and unemployment insurance, we would have the greatest economic boom in history!

My person opinion is that I will never accept that the person who sacrifices so much to become successful is somehow in debt to the person that mostly sleepwalks through life.

The *Fairy Dust* of living off government subsidies in one form or another promotes sheer fantasy – the ability to live off the efforts of others without putting in any elbow grease. The ability to criticize winners (i.e. the successful) even when you don't even have to suit up to play the game is a luxury that only capitalism could create and sustain.

Now, with Ryan's announcement, this battle ground moves to another level. Those that champion confiscation of wealth over individual accountability have the perfect punching bag. Of all the Senators, Congressman, and the President himself, only Paul Ryan has actually sat down and thoughtfully put together a plan which looks towards the long term, but which makes tough decisions now. It's a plan designed to save America's social safety net, as well as, keeping the military strong. But those looking to save massive food stamp distributions, exploding welfare rolls, and socialist-taxes will make it sound like he is pushing grandma over a cliff. For the record, Paul Ryan's mother is on Medicare.

Paul Ryan, as a kid, got a "B" on his report card which promptly cut his allowance to \$2 from \$4, and for a "C" he got nothing at all. In President Obama's world, the "A" student is greedy and must pay a price, while the "B" student is still too high, while the "C" student is the victim of something and his laziness is a byproduct of some nefarious plan by the "A" student. So in his world, the \$4 is chopped up as \$1.50 each to the "A" and "B" student, and \$1 to the "C" student, who still deems it unfair.

Perhaps some numbers will further enforce why things are not working:

- In 2007, 10% of all unemployed American's had been out of work for 52 weeks or longer – today that number is 30%.
- The amount of money the federal government gives directly to Americans has increased 32% since Barack Obama became president.
- The official US unemployment rate has been over 8% for 40 months in a row, a first in history.
- Today, 49.1% of all Americans receive benefits from the government.

And just for the record, we're heard so many times how the "rich", the supposed "1%", do not pay their fair share. According to the National Taxpayer's Union, the top 5% of all US taxpayers account for 58.66% of the total taxes paid, while the bottom 50% paid but 2.2%.

Who Pays Income Taxes and How Much?

Tax Year 2009

Percentage Ranked by AGI	AGI Threshold on Percentiles	Percentage of Federal Personal Income Tax Paid
Top 1%	\$343,927	36.73
Top 5%	\$154,643	58.66
Top 10%	\$112,124	70.47
Top 25%	\$66,193	87.30
Top 50%	\$32,396	97.75
Bottom 50%	\$<32,396	2.25

*AGI is Adjusted Gross Income (Source: Internal Revenue Service)

For 2009 tax year (the last year that full and true data is available), it took about \$344,000 in income to make it into the top 1%. The cut off for the 50% level was \$32,396.

So at this point in history, President Obama is the first President whose appeal is to the 50% who contribute virtually zero to the system.

So what happened to the "fair share" over the course of the past 30+ years? In 1980, the top 1% earned approximately 20% of all the income and that figure rose to 25% by 2009, while at the bottom 40% fell from 17% in 1980 to 15% in 2009 (Call it flat). But now consider the share of nation's income taxes paid where:

US Tax Rates by AGI Rankings

	1980	2009	
Top 1%	29%	40%	Up 38%
Bottom 40%	9%	4%	Down 40%

So as this US election, which I truly believe is the most important one in recent memory, heats up with all the rhetoric, don't believe all the distractions (i.e. Fairy Dust) that the current administration will throw out there. They will say ANYTHING to avoid talking about their track record.

For the record, I have won two bets in the last week on the same point. That in four years as President, Barack Obama has yet to pass a budget, which is a legal requirement by US law. And remember he had a total majority in the House and Senate his first two years as president. For that reason alone, it's time for true *hope and change*. In 2008, US voters overlooked a weak resume in favour of a good speaker at a podium. We need the adults back in charge, who will make the tough decisions which need to be made at this important juncture.

Stay tuned,

Vito Finucci
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