

NY Times Article: “Tax Increase Would Hit Few Small Businesses (NYT 9/18/2010, B1)” Hits Wide of Target: Where Have All the Editors Gone?

In the mounting debate over Obama’s plan to let selective personal income tax rates increase come January 1, 2011, disinformation by the progressive media, like the New York Times, becomes news fit to print. A few samples from David Kocieniewski’s article mentioned in the title of this article illustrate the point.

Kocieniewski’s submits for all intents and purposes that increasing taxes on the top 2 percent of wage earners (code for the rich) would not significantly affect small businesses and job formation because only 3 percent of small businesses would be subject to higher tax. He neglects the fact that not so many businesses could employ many workers. As support, he bizarrely states that the 32 million businesses that are sole proprietorships have no employees so that decreasing the taxes of sole proprietorships would largely benefit businesses with no employees. Duh! All sole proprietorships have a single owner, not no employees!

In another peculiar passage, Kocieniewski posits that higher taxes increase employment by encouraging the more-rich to seek tax-shelter by investing in new ventures to obtain the quick write-offs offered to businesses. (The term more-rich seems apropos for those making \$250,000, and above, annually.) In the past, high tax rates had led to an era of investing primarily to get the benefits of tax write-offs. This created economic distortion which resulted in the misallocation of investment capital. Now, at least, let us remember the lesson of history and avoid reliving it.

Even more peculiarly, Kocieniewski notes studies suggest that higher taxes lead individuals to seek out self-employment which provides a greater opportunity for tax evasion and avoidance. Is this good or bad? He does not say.

Kocieniewski does not deal with the economics of taxes and job formation until the end of the article where he quotes the eminent economist Nancy Pelosi: “tax cuts at the high end have not produced any jobs.” In other words, Pelosi believes that an increased cost is costless. Economics 101 teaches that capital and labor will share the increased cost: some combination of lower returns and wages. Neither Pelosi nor Kocieniewski mention retained earnings as a business’s first source of investment capital. A tax increase necessarily reduces the amount of retained earnings available for reinvestment and thereby decreases business expansion and job formation.

In summary, Kocieniewski’s article reflects a heartfelt class belief that the more-rich are less deserving of tax relief than the less-rich.

Mr. Kocieniewski, where have all the editors gone long time passing? To asleep or on unemployment.