

[President Obama's definition of fairness is precisely the opposite](#)

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Written by [Whig](#) [21] | Wednesday 25 January 2012



In his State of the Union address, President Barack Obama called for higher taxes on the wealthy (defined as anyone who earns more than he thinks they ought to). He argued that "Now, you can call this class warfare all you want... But asking a billionaire to pay at least as much as his secretary in taxes? Most Americans would call that common sense." We all know that "common sense" is an oxymoron. Let's consider Obama's logic with a purely hypothetical example:

Evil Billionaire Warren has an income in various forms of \$200,000,000. He pays tax at an overall rate of 10% which on that sum gives his tax contribution via income tax as \$20,000,000.

His Lovely Secretary Debbie has a taxable income of \$40,000. She pays tax at a rate of 20%. Shocking! How can she pay a higher tax rate than Evil Bill? Her tax contribution is \$8,000.

But wait. Isn't there a problem here? President Obama clearly stated that a billionaire ought to pay as much in taxes as his secretary. But his secretary is paying far, far less in taxes than he does. If we asked Warren to pay as much in taxes as his secretary I think he would be pretty pleased to do so as this would represent 0.004% of his income.

Of course, I'm being somewhat facetious. Clearly President Obama was suggesting that billionaires and secretaries should pay similar rates of tax. However, I find it extremely disingenuous to use the word "fair" when referring to such a situation. The billionaire is, after all, contributing vastly more as an absolute sum than the secretary. "Fairness" means an equal share is paid by all - thus fairness would mean, in the strictest sense, that the billionaire and the secretary paid exactly the same absolute amount of tax.

We might portray Obama's argument as meaning that fairness means an equal proportion is paid by all so that Warren and Debbie pay like proportions on their income and he might well have a case. However, the billionaires he criticises are merely obeying the laws which governments have created as a result of attempting to manipulate and control economic activity. Unless they are guilty of tax evasion, in which case they are subject to legal recourse, billionaires can hardly be criticised for obeying the law. If governments wish to construct absurdly complex tax regimes filled with loopholes and opportunities for tax planning and arbitrage, it is hardly the fault of billionaires if they then do exactly what government is incentivising them to do. One might argue that the wealthy are able to lobby for favourable tax regimes, but this is an argument to simplify and remove the arbitrary conditions from all tax regimes in order to prevent them doing so and not to introduce further discrimination and complexity.

His use of the word fairness ultimately begs the question of why Obama is advocating progressive taxation which, by its very nature, is unfair. By increasing the proportion of tax paid on incomes over certain

arbitrary thresholds those deemed to be too rich or too wealthy are simply being discriminated against. To Obama, earning more than \$1million clearly means one is a proper target for discrimination. Why should such individuals be discriminated against any more than any others, especially as they are already ? like Billionaire Warren ? contributing a greater absolute amount of taxation?

If all taxes were simple and flat there would be no tax planning, no avoidance and everyone would simply pay a genuinely fair share. There would also be a lot of unemployed bureaucrats, accountants and lawyers who could go and get productive jobs instead of constituting a government-induced burden on the economy. Such a tax regime would be genuinely fair. Of course, we could then point out that most of what the taxes are paying for should not be the function of government and unfairly favours special interests but this is a different question. Flat, proportional taxes are the only means of creating fair taxes but they are not what Obama is arguing for - when he says fair he actually means unfair.

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