

THE TRUTH ABOUT TAXES

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I love receiving letters and e-mails from our readers and listeners. This past month I received so many wonderful, inspirational holiday greetings from many of you and I would like to thank everyone for making my holiday wonderful. There was one holiday greeting I received that articulated the problem we are now facing regarding economic stimulus and tax-cuts. I am going to share it with you, and recommend that you share it with someone else. Where most politicians and journalists have zero understanding of fiscal policy our listeners do.

Enjoy!

The Truth about Taxes
by Anonymous

Let's put tax cuts in terms everyone can understand. Suppose that every day, ten men go out for dinner. The bill for all ten comes to \$100. If they paid their bill the way we pay our taxes, it would go something like this:

The first four men, the poorest would pay nothing;
The fifth would pay \$1;
The sixth would pay \$3;
The seventh \$7;
The eighth \$12;
The ninth \$18.

The tenth man, the richest would pay \$59. That's what they decided to do. The ten men ate dinner in the restaurant every day and seemed quite happy with the arrangement, until one day, the owner threw them a curve. "Since you are all such good customers," he said, "I'm going to reduce the cost of your daily meal by \$20." So now dinner for the ten only cost \$80. The group still wanted to pay their bill the way we pay our taxes. So the first four men were unaffected. They would still eat for free. But what about the other six paying customers? How could they divvy up the \$20 windfall so that everyone would get his "fair share?" The six men realized that \$20 divided by six is \$3.33. But if they subtracted that from everybody's share, then the fifth man and the sixth man would end up being *paid* to eat their meal. So the restaurant owner suggested that it would be fair to reduce each man's bill by roughly the same amount, and he proceeded to work out the amounts each should pay. And so the fifth man paid nothing, the sixth pitched in \$2, the seventh paid \$5, the eighth paid \$9, the ninth paid \$12, leaving the tenth man with a bill of \$52 instead of his earlier \$59.

Each of the six was better off than before. And the first four continued to eat for free. But once outside the restaurant, the men began to compare their savings.

"I only got a dollar out of the \$20," declared the sixth man.

He pointed to the tenth. "But he got \$7!"

"Yeah, that's right," exclaimed the fifth man. "I only saved a dollar, too. It's unfair that he got seven times more than me!"

"That's true!", shouted the seventh man.

"Why should he get \$7 back when I got only \$2? The wealthy get all the breaks!"

"Wait a minute," yelled the first four men in unison. "We didn't get anything at all. The system exploits the poor!"

The nine men surrounded the tenth and beat him up.

The next night he didn't show up for dinner, so the nine sat down and ate without him. But when it came time to pay the bill, they discovered something important. They were \$52 short!

And that, boys and girls, journalists and college instructors, is how the tax system works.

The people who pay the highest taxes get the most benefit from a tax reduction.

Tax them too much, attack them for being wealthy, and they just may not show up at the table anymore.

Unfortunately, Liberals cannot grasp this straightforward logic!