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Cain's 9-9-9 plan is morally reprehensible

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The competition among the Republican presidential candidates for the most preposterous public policy statements has been fierce.

Mitt Romney's "corporations are people" assertion? Rick Perry's ugly threats on Fed Chairman Ben Bernanke? Almost anything from Michele Bachmann or Newt Gingrich?

No, the most preposterous policy, hands-down, is Herman Cain's 9-9-9 plan, the cornerstone of his presidential candidacy.

The 9-9-9 policy calls for replacing the progressive federal individual income tax with a flat 9 percent rate, replacing the corporate income tax with a 9 percent rate, and imposing a new 9 percent federal sales tax. His recent rise in the polls makes it critical to understand what is so very wrong with this idea.

There is certainly much to dislike in the U.S. federal income tax code. But it is based on a sensible and time-tested idea -- that Americans with higher incomes ought to pay taxes at a higher rate as a way to equalize the sacrifice of supporting government services.

Income tax rates in the U.S. are not particularly progressive compared either to our recent past or to other countries.

Still, low-to-middle income families do pay a lower fraction of their incomes in taxes, thanks to the progressive rate structure, exemptions for family size and some other special features of the tax code.

Some of those features were actually part of a 2003 tax reform championed by none other than President George W. Bush.

The Cain 9-9-9 proposal would turn all of this on its head. All taxpayers from poorest to richest would pay 9 percent of their income in taxes. There would be no deductions or exemptions to cushion the poorest tax payers.

But that's not all. The proposed 9 percent national sales tax also has no exemptions, so it would hit the poorest consumers, who spend the largest share of their income on consumption, the hardest.

For the poor and middle classes this is a double whammy -- their income taxes and sales taxes will both increase. For millionaires and above, it is a bonanza.

A little arithmetic demonstrates how the plan would work.

In 2009, about 109 million families had incomes less than \$75,000. About half of them owed no federal income taxes; they did, of course, pay payroll taxes, property taxes, sales taxes, and often state and local income taxes.

In all, this group of families paid federal income taxes equal to about 4.5 percent of their income. Under the Cain plan, that rate would double.

Also in 2009, families with annual incomes greater than \$1 million (average income \$3.1 million) paid federal income taxes at an average rate of about 25 percent. Their taxes would fall by about two-thirds. The elimination of exemptions that now cushion some of their income would work in the opposite direction, but it is clear that the overall impact would be a huge cut in their taxes.

Other parts of the 9-9-9 plan compound the problems. It would eliminate all taxes on capital gains, two-thirds of which are received by those with incomes greater than \$1 million.

It would eliminate the Earned Income Tax Credit, a critical program once championed by politicians on both sides of the aisle for supporting low- and moderate income working families with children.

The 9-9-9 plan's corporate tax provisions are just as bad, according to analyses by Bruce Bartlett, a high ranking Treasury Department official during the Bush years.

The bottom line is that Cain's 9-9-9 plan is a completely inappropriate policy for an economy already experiencing the highest degree of income inequality since the Great Depression.

Poor and middle-income families are struggling, while incomes at the top continue to rise steadily. 9-9-9 would just make income inequality worse.

As bad as the plan is, perhaps the most disturbing thing about the Cain policy is not even the policy itself, but the reaction of the other Republican candidates to it. Jokes abound. Is it the price of a pizza at Godfather's, the company Cain once ran? Should someone call 9-1-1?

But serious comments are nowhere to be found. Not one candidate has said what is patently clear -- the 9-9-9 plan is a morally offensive and economically backward policy that has no place on the national stage in 2011. A candidate who would espouse it has no business running for President. And it is well worth thinking about the core values of candidates who lack the courage to describe it for what it is.

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