A Baker’s Dozen: Insights into Taxation and Public Policy

A Wuffle

ABSTRACT This article considers from a Wuffeauldian serio-comical point of view some fundamental insights into governance and public policy.

In the study of public policy, one historical division between economists and political scientists is that political scientists usually examine what governments do, whereas economists usually provide models to explain why they should not have done what they did or—more generally—should not do anything that might interfere(106,701),(559,726)

1. ELMER ERIC SCHATTSCHNEIDER’S LAW (1960): “THAT WAS THEN, AND THIS IS NOW: POLICIES CREATE POLITICS.”

With new policies come new stakeholders and new policy networks, along with changed expectations. When the US Supreme Court issued its 1964 opinion in Reynolds v. Sims 377 U.S. 553, many then-sitting members of Congress were anxious to remove its jurisdiction over redistricting. After the first elections under the new rules, it was remarkable how fast “one person, one vote” (then labeled “one man, one vote”) became as American as apple pie.

2. KAHNEMAN AND TVERSKY’S LAW OF ASYMMETRIC PREFERENCES (1982): “PRESENCE MAKES THE HEART GROW FONDER.”

We usually are more reluctant to give up something that we already have than we are to pay for getting it when we do not yet have it. As we witnessed when Donald Trump was president, once an entitlement to health care at a reduced price has been created—even when Republicans had tricata control of the national government—simply wiping out Obamacare never happened despite all the hoopla about how awful this law was and how abolishing it was at the top of Republican priorities. This law has an important policy corollary that I label “The First Law of the Tax Cut: It Is Easier to Not Give Tax Cuts Than to Take Away Tax Cuts That Were Already Given.”

Republicans, who typically are those cutting taxes, are especially good at making use of this asymmetry but conservative Democrats also have been known to believe it has a type of sacred status. Consider Senator Joe Manchin’s ardent opposition in 2021 to raising the corporate tax rate to 28% from its current rate of 21%. It does not seem to matter that for most of the past several decades, the rate was around 35%.

3. THE SECOND LAW OF THE TAX CUT: “TO GIVE THE RICH BIG TAX CUTS, PASS A PLAN THAT ALSO GIVES SMALL TAX CUTS TO THE POOR AND THE MIDDLE CLASS, THEN DEFEND THE TAX REDUCTIONS FOR THE WEALTHIEST FEW ON GROUNDS OF FAIRNESS BY EMPHASIZING HOW MUCH OF THE FEDERAL INCOME COMES FROM TAXES ON THE RICH.”

Most folks look to their own bottom line—that is, “What’s in it for me?” Moreover, we can expect that the non-rich will not realize that the main reason so much of federal tax revenue comes from the rich is that the distribution of American income (and wealth) is so highly inegalitarian. The rich pay a high proportion of federal income tax because they have most of the money, even though some of them manage to shelter that money so well that they pay a lower percentage of their income in taxes than ordinary workers or—if they are really, really rich—hire the best lawyers to ensure that they ultimately pay no taxes, period. Furthermore, exponents of tax cuts for the rich conceal what they are doing by talking about the average tax cut, not the tax cut for the average family—rather like thinking that most Saudi Arabsians are well off because the average income there is so high.

4. ROBERT HEINLEIN’S (1966) TANSTAAFL PRINCIPLE: “THERE AIN’T NO SUCH THING AS A FREE LUNCH.”

If a government gives money to A, B, and C, the money must come from somewhere, probably from U, V, W, et al. However, some of it also probably came from A, B, and C themselves.

A Wuffle regards himself as a nonexpert on the mathematics of metrical gibberish, muddles of cognitive blintz, and macaroni chain theory but highly knowledgeable about the life and work of some political scientists whose first name is either Gary or Bernie or Mo, and about the fictional characters created by Edgar Rice Burroughs. (Indeed, he once sent a letter correcting the description of the Waziri given in a special exhibition at the Musée du Quai Branly.) Under his own name, A Wuffle (note: no period after the letter “W”) has published two dozen satirical but highly insightful short essays, not only in PS: Political Science and Politics but also in journals including Journal of Theoretical Politics, Simulation and Games, Mathematics Magazine, and Theory and Decision. The essays have ranged widely over topics such as the game Monopoly™ as a tool for inculcating capitalist values in children, the reproduction rate of automobiles, analogies between voter turnout and tooth brushing, the pure theory of elevators, statistical fallacies and paradoxes that are not, Abraham Lincoln’s contributions to applied combinatoirics, and nameology. However disparate their topics, these essays share the unifying feature of a Wuffeauldian perspective on the foibles of academia.

© The Author(s), 2022. Published by Cambridge University Press on behalf of the American Political Science Association. This is an Open Access article, distributed under the terms of the Creative Commons Attribution licence (http://creativecommons.org/licenses/by/4.0), which permits unrestricted re-use, distribution and reproduction, provided the original article is properly cited.
5. THE LAW OF THE RATCHET: “GOVERNMENT BUDGETS ALWAYS GROW.” This law holds remarkably well, regardless of previous Laws 2, 3, and 4. Indeed, in the long run, Democrats and Republicans do not differ much in the degree to which they expand the size of government. For example, spending went up under Carter, stayed up under Reagan, went down under Clinton, then up under Bush, then first up and then down under Obama, then flat under Trump until COVID. The difference is in what they want to spend the money on and whether they want to pay for that spending or simply increase the amount of government debt. Whether it is Democrats or Republicans who are the deficit hawks will depend heavily on which party controls the presidency and can claim credit for the effects of the spending.

6. ALAN GREENSPAN’S COROLLARY TO THE LAW OF THE RATCHET, THE LAW OF THE HATCHET: “WHILE AN INCREASE IN GOVERNMENT SPENDING IS INEVITABLE, THE BEST CHANCE TO LIMIT THE RATE OF GROWTH IN THE SIZE OF GOVERNMENT IS TO DEPRIVE GOVERNMENT OF REVENUE BY TAKING A HATCHET TO TAXES.”

The theory, of course, is that it is more difficult (albeit certainly not impossible) to spend money that you do not have. Therefore, limiting government tax revenue by cutting taxes will “starve the beast.”

7. THE LAW OF OPPORTUNITY COSTS, AKA THE LAW OF TRADEOFFS: “DOING SOMETHING/SPENDING MONEY ON SOMETHING ALMOST CERTAINLY PRECLUDES DOING SOMETHING ELSE/SPENDING THAT MONEY ON SOMETHING ELSE.”

If the government spends money on X, then (absent deficit spending) that limits the amount of money it has to spend on other things. From this law, we can deduce “A Wuffle’s Corollary to the Law of the Ratchet, Mortgaging the Future: While an increase in government spending is inevitable, the best chance to limit the rate of growth in the size of government that is spent on things the other party wants is that when you are in control, to spend so much on the things your party wants and commit to so much future government spending on those items that there is basically no money left to spend on anything else when the other side comes to power.”

8. THE LAW OF THE FAMILY RESEMBLANCE: “WHEN IT COMES TO PUBLIC POLICY, REPUBLICANS ARE DADDIES, DEMOCRATS ARE MOMMIES.”

For example, Republicans believe in the discipline of markets for their unruly children: “If you cannot earn enough money to pay for it yourself, then you are not entitled to have it.” Democrats believe that “No child should go without milk even if their parents are too poor to pay for it, or too stupid to know how important milk is for a growing child, or too selfish to spend money on their children that they could spend on themselves.”

9. THE LAW OF THE DUELING FLIGHT PATHS: “BORROWING THE ARGUMENT FROM ECONOMISTS, REPUBLICANS ARE CONCERNED THAT IF YOU RAISE TAXES ON CORPORATIONS, FIRMS WILL LEAVE THE COUNTRY; BORROWING THE ARGUMENT FROM POLITICAL SCIENTISTS, DEMOCRATS ARE CONCERNED THAT THE EVIDENCE SHOWS THAT IF YOU DO NOT REGULATE CORPORATIONS, JOBS WILL LEAVE THE COUNTRY.”

Ordinary people are concerned that both things are true.

10. THE LAW OF COMPARATIVE ADVANTAGE: “WHEN IT COMES TO PUBLIC POLICY RECOMMENDATIONS, ECONOMISTS ARE MORE LIKELY TO BE BELIEVED THAN POLITICAL SCIENTISTS.”

A Wuffle’s counterpoint: “When it comes to public policy recommendations, (conservative) economists are just as likely to get it wrong as (liberal) political scientists.” To paraphrase Georges Clemenceau, “public policy is too important to be left to the economists.” Conservative economists are skeptical that there are any true public goods except possibly for national defense. Even if they recognize that there might be market failures, they “know” that allowing the government to try to “correct” the problem would only make matters worse. Moreover, economists have models that only an economist could believe—for example, that having made goods cheaply abroad benefits everyone everywhere: the country that sells the goods and the countries that buy them cheaply.

11. NAFTA’S LAW: “NO ECONOMIST’S IDEALIZED MODEL OF OPTIMIZATION (E.G., DEREGULATION AND FREE TRADE) SURVIVES CONTACT WITH POLITICIANS AND INTEREST GROUPS.”

If NAFTA truly was about fully eliminating tariffs and trade barriers among Mexico, Canada, and the United States, why was it necessary for the NAFTA treaty to run more than 1,700 pages long: 741 pages for the treaty, 348 pages for annexes, and 619 pages for footnotes and explanations? Couldn’t Congress have followed Nancy Reagan’s advice and “Just said no!”

12. THE LAW OF STARRY-EYED DECISIO: “THE SUPREME COURT ONLY INTERPRETS THE CONSTITUTION AND DOES NOT MAKE PUBLIC POLICY, AND THE POLITICAL VIEWS OF JUSTICES ARE IRRELEVANT TO HOW THEY REACH CONCLUSIONS ABOUT WHAT THE CONSTITUTION (OR A STATUTE) REALLY MEANS.”

If you believe this law, I have a bridge in Brooklyn to sell you.

13. THE LAW OF GUARANTEED CREDIT CLAIMING: “TO MAKE IT CERTAIN TO GET CREDIT FOR CURING A PROBLEM, INVENT THE PROBLEM AND MAKE VOTERS BELIEVE THAT THE PROBLEM IS A SERIOUS ONE.”

After passing legislation that is meaningless, it is an odds-on bet that a problem that was nonexistent to begin with will be nonexistent still, and one can claim that it was the legislation (or, perhaps, improved enforcement) that did it. For example, many states controlled by Trumpists recently passed legislation intended to cure massive voter fraud—of the type supposedly found in the 2020 elections. This is legislation that comes with a money-back guarantee. Because there was no massive voter fraud in 2020, there will not be any in subsequent elections after the legislation is passed; therefore, credit claiming is straightforward.

CONFLICTS OF INTEREST

The author declares that there are no ethical issues or conflicts of interest in this research.

NOTES

1. However, just as the ideal world for most faculty members is one without the complication of having to teach undergraduates, so the ideal world for most...
Politics: Insights into Taxation and Public Policy

1. Economists are one without the complications of having to build the absurdities of public-choice economics, which posits that there is no such thing as the public interest (Buchanan and Tullock 1962) and reconciles politics and rational choice by positing that all politicians are rational and self-serving—that is, rent-seeking—which mostly is to say corrupt (however, because they are rational, they are corrupt only when they think they can get away with it).

2. The Distinguished Professor of Political Science to whom A Wuffle is permanently an associate holds a courtesy (adjunct) appointment in economics.

3. See https://taxfoundation.org/federal-corporate-income-tax-rates-income-years-1909-2012.

4. Much credit must be given to President Reagan for this powerful insight, but the concept was originally identified by the late Nobel laureate James Buchanan, who, along with his colleague George Tullock, developed public-choice economics, which posits that there is no such thing as the public interest (Buchanan and Tullock 1962) and reconciles politics and rational choice by positing that all politicians are rational and self-serving—that is, rent-seeking—which mostly is to say corrupt (however, because they are rational, they are corrupt only when they think they can get away with it).

5. This would be true even under a flat tax (Merrill, Grosman, and Barnes 2013). However, as these authors (and also one reviewer) noted, because the rich in the United States and in most other countries are really rich, a uniform (marginal) tax rate can increase the amount of money you will collect in taxes.

6. Of course, there is always Laughable’s Law of the Curveball: “Lowering the (marginal) tax rates can increase the amount of money you will collect in taxes.” We can construct hypotheticals in which this is true, but finding instance of them in the real world is quite another story.

7. I researched for whom to credit this observation. A helpful reviewer suggested that credit might be given to Aaron Wildavsky. The source that I am most familiar with is William Niskanen (1975), however, his narrative—with bureaucrats as the primary drivers of spending growth—is not one that I believe. Anthony Downs (1966) also weighed in on this topic. More recent work (Lott and Kenny 1999) bick on Murphy’s suffrag for the growth of government in the United States (but see a partial rebuttal in Werin et al. 2008). I checked government spending in Switzerland because it was so late (1971) in granting owner’s rights to the nation, and was the most substantial increase in slope in rate of spending in that country did not happen until around 1982 (see www.theglobeandcom/switzerland/government/spending/). Of course, perhaps it just took a while for women’s votes to matter for party politics and government policy. Despite some inconsistencies, the long-run trend in Switzerland in government spending as a percentage of GDP is upward trending, as is the case in most industrialized nations.

8. See “Federal Net Outlays as Percent of Gross Domestic Product: 1930–2020” (https://fred.stlouisfed.org/series/FYONGDA18853).

9. Of course, we cannot forever spend money we do not have without there eventually being some consequences. Hopefully, we can always hope that our party will be out of power when those consequences happen.

10. If we have to spend money, we should make sure that we get as much credit as possible. It is not so surprising that Trump put his signature on COVID-19 relief checks despite ostensibly believing that the COVID-19 threat was exaggerated by the experts to make him look bad.

11. On July 14, 1788, economist and future Federal Reserve Chairman Alan GreenSPAN testified to the US Senate Finance Committee: “Let us remember that the basic purpose of any tax cut program in today’s environment is to reduce the mechanism of public growth (by shifting the amount of revenue available and trust that there is a political limit to deficit spending” (Barlett 2009).

12. The earliest use of the term “starving the beast” to refer to this conservative political–fiscal strategy was in a Wall Street Journal article in 1985, wherein the reporter quoted an unnamed Reagan staffer (Barlett 2010, citing “The Starving the Beast Begins and Develops a Budgetary Metaphor” in The Independent Review 12 (1) (Summer 2007): 5–26).

13. Although I found many references to this analogy—which has been around for a long time (see, e.g., Kuhn 2010, who identified the different issue emphases of the parties that confirm this stereotype)—when I searched online, I could not find an original source for the comparison. It also was not in William Safire’s Political Dictionary. I note a nice extension of the analogy: “The USA is in a custody battle between the parties” (www.youtube.com/watch?v=x2YDA15yz7k#channel=StudiosC). I wish that I had thought of this analogy myself; it does sound like something I might have said. Furthermore, there also is the related idea that welfare is something provided by women and thus unmanly and undesirable (compare the pejorative concept of the “nanny state” found among conservatives in Britain; a helpful reviewer called this phrase to my attention).

14. The number of wits who have written descriptions of the difference between Republicans and Democrats is legion (e.g., www.brainyquote.com/topics/democrats-quotes). I recently added to that list by observing that “Unlike most Democrats, most Republicans believe that everyone has a right to kill themselves via a form of Russian Roulette (see the movie Deer Hunter) if the mechanism for development is by not being vaccinated against COVID-9.” Refusing vaccination and overloading the health care system when you get sick, as well as potentially endangering others (including health care professionals) is, of course, entirely a matter of personal right. I also believe that the belief that euthanasia is against God’s will also is more likely to be found among Republicans.

15. Of course, economists believe that all important decisions should be made by trained economists. However, in fairness, it also is true that most law professors believe that all important decisions should be made by judges who take their cues from the law professor’s law review articles (see 12th Law; compare this footnote to the 11th Law).

16. “War is too important a matter to be left to the military. War is too serious a matter to leave to soldiers” (Georges Clemenceau, as quoted in Jackson 1946, 228). This quote has been commonly paraphrased as “War is too important to be left to the generals.”

17. True Chicago economists, such as Milton Friedman’s son, once argued (many decades ago) that even police and fire protection simply should be privately purchased—much like insurance.

18. An economist (Pigou 1920) invented the concept of public goods—that is, goods that when provided have benefits that are noneconomic and in joint supply—that is, that can be consumed by A without (seriously) depleting the ability to provide them to B, C, D, and so on. An economist also invented the notion of market failure, the underprovision of public goods if their production were left entirely to market forces as compared to what would (at least in the long run) be optimal if there were public service (i.e., “a public good,” as Georges Clemenceau said). This quote has been commonly paraphrased as “The market cannot efficiently produce those things that are useful to society.”

19. Unfortuately, having to pay the costs for less provision of the uninsured may have different country only limited benefit if they now cannot afford them. The notion that workers can simply (i.e., without cost) transit from one industry to another where one’s country has a production advantage by learning new skills, or without cost move from one geographic area to another, violates common sense. Consider the observation that “You can’t lift yourself up by your bootstraps if you don’t have any shoes,” first told me to ma ca. 2012 by Sue Anderson Grosman. Moreover, comparative advantage is not written in stone, and deindustrialization is not, in the long run, a winning strategy. In the period after WWII, Japan had a comparative advantage in making cheap toys and the United States had a comparative advantage in making cars. Of course, smart economists know this, but that does not prevent many from presenting to glibble laypeople what I call the “classic comic book” version of the unalloyed benefits of free trade. In summary, one can believe, as I do, that mercantilism is stupid without believing that free trade is all that is needed to make a rich country.

20. Compare “No plan of operations extends with any certainty beyond the first contact with the main hostile force” (Purcell of Moltke’s Father, quoted in Jackson 1946, 228). www.oxfordreference.com/view/10.1093/acref/9780198501941.001.0001/edo-04-ed0-00074#.74). This quote is generally paraphrased as “No plan ever survives contact with the enemy.”

21. See https://fee.org/articles/the-nafta-analysis-not-free-trade.

22. Obviously as well, the Senate Republicans who put Amy Coney Barrett on the US Supreme Court, argued that the Constitution is immutable when it happened, had not learned in school that the Constitution is immutable unless and until amended. Therefore, who sits on the Supreme Court cannot change even when the Constitution is immutable unless and until amended.
It is not that I believe all Supreme Court Justices are either hypocrites or closet politicians or both—although surely the Law of Averages suggests that some of them must be at least one. Rather, it is useful to think of the Justices’ veneration for the Constitution (or at least the “Idea of the Constitution”) as similar to the parable about the three blind men and the very large elephant. Depending on which part of the elephant they touched (i.e., trunk, foot, or tail), the blind men reached quite different conclusions about the nature of the beast. Moreover, presidents, of course, can nominate those whose views of the elephant are most in concert with their own.

23. Once upon a time there was a man who, every time his train went into a tunnel, prayed to the God of Tigers that he not be eaten while in the dark. After emerging from the tunnel, the man explained to an incredulous fellow passenger that he had irrefutable evidence his prayers were answered. After all, he had been in many tunnels and yet had never been eaten by a tiger.

24. For empirical demonstration of the truth of this observation, we merely need to wait until after November 2022 in states under Republican trifecta control.

REFERENCES

Bartlett, Bruce. 2010. “Tax Cuts and ‘Starving the Beast.’” Forbes, May 7. www.forbes.com/2010/05/06/tax-cuts-republicans-starve-the-beast-columnists-bruce-bartlett.html?sh=3f7e3100759d.

Bator, Francis M. 1958. “The Anatomy of Market Failure.” Quarterly Journal of Economics 72 (3): 351–79.

Buchanan, James, and Gordon Tullock. 1962. The Calculus of Consent. Ann Arbor: University of Michigan Press.

Downs, Anthony. 1960. “Why the Government Budget Is Too Small in a Democracy.” World Politics 12 (4): 541–63.

Heinlein, Robert. 1966. The Moon Is a Harsh Mistress. New York: G. P. Putnam’s Sons.

Jackson, John Hampden. 1946. Clemenceau and the Third Republic. https://en.wikipedia.org/wiki/Georges_Clemenceau#text.

Kahneman, Daniel, and Amos Tversky. 1982. “The Psychology of Preferences.” Scientific American 246:160–73.

Kuhn, David Paul. 2010. “The Enduring Mommy–Daddy Divide.” Real Clear Politics, March 2. www.realclearpolitics.com/articles/2010/03/02/the_enduring_mommy-daddy_political_divide_104598.html.

Lott, John R., Jr., and Lawrence W. Kenny. 1999. “Did Women’s Suffrage Change the Size and Scope of Government?” Journal of Political Economy 107: 1163–98.

Merrill, Samuel III, Bernard Grofman, and Lucy Barnes. 2019. “Lump Sum Dispersals and the Gini Index.” Presented at the Annual Meeting of the European Public Choice Society, Jerusalem, April 1–4.

Niskanen, William A. 1975. “Bureaucrats and Politicians.” Journal of Law and Economics 18 (3): 617–43.

Pigou, Arthur C. 1920. The Economics of Welfare. London: McMillan.

Schattschneider, Elmer Eric. 1960. The Semi-Sovereign People: A Realist’s View of Democracy in America. New York: Holt, Rinehart, and Winston, Inc.

Winer, Stanley, Michael Tofias, Bernard Grofman, and John Aldrich. 2008. “Trending Economic Factors and the Structure of Congress in the Growth of Government, 1930–2002.” Public Choice 135 (3–4): 445–49.