



## Deadly Ignorance Runs Afoot in the Biden Administration

by Richard W. Rahn

FROM MANAGEMENT OF COVID-19 TO RAISING CAPITAL GAINS TAX, THE MISSTEPS ARE ENDLESS

Yes indeed, many of our political leaders are ignorant who unnecessarily damage both our pocketbooks and even our lives.

The Biden administration has just lifted the 11-day “pause” on the use of the Johnson & Johnson COVID-19 vaccine. Approximately 7 million people have received the vaccine, and it appears three have died and another dozen or so are in the hospital with blood clots, allegedly due to the vaccine. To date, the death rate has been less than one person per 2 million shots.

How many people died because of the pause? No one knows for sure, but the total deaths probably exceeded the benefits of the pause by an order of magnitude. Estimate the total number of shots of the J&J vaccine that would have been delivered over the 11-day period and then try to calculate the number of people who died or will die because of the delay and almost any empirically based reasonable estimate will give a far higher death rate number than one per 2 million. Was that calculation ever made and what were the estimates for the variables? It is doubtful that the information will ever be released because it will likely show gross incompetence. (More on COVID below.)

As if they were trying to prove they are incompetent, the Biden administration has also just proposed a massive increase in the capital gains tax rate — to a federal maximum rate of 43 percent and, with state taxes, the rate will be over 58% in New York City and 57% in California. Over the last 70 years, the capital gains tax rate has been raised and lowered many times. By 1976, the maximum rate had reached 40%, which was then reduced to 28% in 1979, and then further reduced, then increased, and then reduced three more times, finally down to 15% by 2010. In 2013, it was raised and currently stands at 23.5%.

A capital gain occurs when an individual or company sells an asset for more than they paid for it. Since many of the sales are voluntary — individuals largely decide at their discretion when to sell a stock or bond, or parcel of land, etc. If the rate is considered “too high,” people will often postpone a sale and this is known as the lock-in effect.

The lock-in causes capital to be misallocated, thus reducing growth and job creation. When the rate was its highest (40%) before 1979, the maximum tax revenue received from the capital gains tax was only a little over \$6.6 billion while in 2007, when the maximum rate was 16%, the Treasury collected a record \$137.1 billion from the tax, in inflation-adjusted terms.

The relationship between capital gains tax revenues and rates has been exhaustively studied by the U.S. Treasury and many economic policy organizations, and it is about as unambiguously clear as anything in economics that capital gains tax rates over 20% tend to lose, not gain, tax revenue over the long run. The U.S. Treasury did a study of the issue during the Reagan administration and determined that rates over 15% are likely to be counterproductive.

Is secretary of the Treasury Janet Yellen ignorant of studies made by the Treasury and highly reputable independent economists and organizations, or is she trying to serve her political masters regardless of how much economic damage such idiotic proposals will do? This is the same Janet Yellen who recently said that climate change is the greatest risk to our financial system — seemingly unaware of the Chinese threat, the potential for war, including a

cyberattack, as well as another pandemic, crop failure or civil unrest, and so forth. Similar absurdities have been said by other key members of the administration and the president. God help us!

This past week, several dozen Democratic senators proposed extending the current high-level emergency unemployment benefits permanently. At the same time, many employers of newly reopened restaurants and bars are complaining they cannot get workers because all of the government benefits have made it more economic for low-income workers not to work than to work. These are exactly the type of social and economic policies that destroyed ancient Rome and countless political entities in the last two millenniums.

Dr. Anthony Fauci is taken as a serious person by some in the media and the administration, who we are ordered to obey, despite his constant flip-flops and endless demands that we all wear masks — seemingly forever. Almost no one dies under age 40 from COVID-19 — it is less dangerous for them than the flu or even the common cold. We are only a few weeks at most away from the point when everyone over 40 who wants the vaccine should have been able to get it. At that point, mask-wearing should be totally voluntary. There are now credible reports that extended mask-wearing can be dangerous, particularly to those with heart or respiratory conditions.

Dr. Fauci’s endless display of gross ignorance about the economic and personal aspects of life and American history show him and many others in government to be ill-suited to their responsibilities and authority. It is unlikely that our Founding Fathers would have put up with our current political class. We can do them proud by resisting the nonsense.

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