The Seven Biggest Economic Lies

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The president's jobs bill doesn't have a chance in Congress – and the occupiers on Wall Street and elsewhere can't become a national movement for a more equitable society – unless more Americans know the truth about the economy.

Here's a short (2 minute 30 second) effort to rebut the seven biggest whoppers now being told by those who want to take America backwards.

The major points:

1. Tax cuts for the rich trickle down to everyone else. Baloney. Ronald Reagan and George W. Bush both sliced taxes on the rich and what happened? Most Americans' wages (measured by the real median wage) began flattening under Reagan and has dropped since George W. Bush. Trickle-down economics is a cruel joke.

2. Higher taxes on the rich would hurt the economy and slow job growth. False. From the end of World War II until 1981, the richest Americans faced a top marginal tax rate of 70 percent or above. Under Dwight Eisenhower it was 91 percent. Even after all deductions and credits, the top taxes on the very rich were far higher than they've been since. Yet the economy grew faster during those years than it has since. (Don't believe small businesses would be hurt by a higher marginal tax; fewer than 2 percent of small business owners are in the highest tax bracket.)

3. Shrinking government generates more jobs. Wrong again. It means fewer government workers – everyone from teachers, fire fighters, police officers, and social workers at the state and local levels to safety inspectors and military personnel at the federal. And fewer government contractors, who would employ fewer private-sector workers. According to Moody's economist Mark Zandi (a campaign advisor to John McCain), the $61 billion in spending cuts proposed by the House GOP will cost the economy 700,000 jobs this year and next.

4. Cutting the budget deficit now is more important than boosting the economy. Untrue. With so many Americans out of work, budget cuts now will shrink the economy. They'll increase unemployment and reduce tax revenues. That will worsen the ratio of the debt to the total economy. The first priority must be getting jobs and growth back by boosting the economy. Only then, when jobs and growth are returning vigorously, should we turn to cutting the deficit.

5. Medicare and Medicaid are the major drivers of budget deficits. Wrong. Medicare and

Medicaid spending is rising quickly, to be sure. But that's because the nation's health-care costs are rising so fast. One of the best ways of slowing these costs is to use Medicare and Medicaid's bargaining power over drug companies and hospitals to reduce costs, and to move from a fee-for-service system to a fee-for-healthy outcomes system. And since Medicare has far lower administrative costs than private health insurers, we should make Medicare available to everyone.

6. Social Security is a Ponzi scheme. Don't believe it. Social Security is solvent for the next 26 years. It could be solvent for the next century if we raised the ceiling on income subject to the Social Security payroll tax. That ceiling is now $106,800.

7. It's unfair that lower-income Americans don't pay income tax. Wrong. There's nothing unfair about it. Lower-income Americans pay out a larger share of their paychecks in payroll taxes, sales taxes, user fees, and tolls than everyone else.

Demagogues through history have known that big lies, repeated often enough, start being believed – unless they're rebutted. These seven economic whoppers are just plain wrong. Make sure you know the truth – and spread it on.

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