Twelve economic lessons for aspiring Presidents and other would be political leaders.

1. **If the government wants to discourage certain behavior, it should tax it; if the government wants to encourage other behavior, it should subsidize it.**

If the government taxes income, particularly higher incomes with higher rates, it is discouraging productivity; if the government subsidizes idleness, it is encouraging non-productivity. When government taxes spending it is encouraging saving and ultimately investment that will eventually lead to higher standards of living. See bonus lesson below.

2. **Corporations do not pay taxes; people pay taxes**.

Corporations are conduits through which tax revenues flow to government from people such as customers (in the form of higher prices and fewer quantities purchased); employees (in the form of lower wages and fewer jobs); suppliers (in the form of fewer orders and reduced quantity sold); creditors (in the form of less interest and greater risk); and shareholders (in the form of lower dividends and slower growth).

3. **Business should be left to do what it does best: create wealth not redistribute it.**

Business is best defined as "any value creating activity." The redistribution, if any, of the created value should be left to acceptable government policy.

4. Taxing income leaves wealth intact.

Playing with income tax rates as a means of redistributing wealth not only misses its mark it leads to distortions. (See no. 1 above.) This outcome explains why wealthy individuals like the Gates, Soros, and Buffets of the world support plans to increase tax rates on upper income individuals.

5. **Self discipline disappears when people are allowed to spend other people's money**.

As long as individuals believe medical care (or anything else for that matter) comes at little or no cost to them, they will purchase more of it not less. The converse is also true.

6. **There is a difference between self-interest and greed**.

Pursuing one's own self interest is a laudable goal and maybe accomplished without being greedy. For example, following a nutritiously balanced diet and exercising regularly is in one's self interest but could hardly be described as greedy. Hint: Greed may be described as *unbridled* self-interest.

7. **Unless government wants to risk inflation it cannot create the funds that it spends. Otherwise government must either tax or borrow the funds. In either event, the government has more dollars to spend and the private sector has fewer.**

Government can add to total spending by printing the money necessary to finance the spending only by exposing the economy to inflation. Inflation is often referred to as "the cruelest tax of all' and "the stealth tax." By taxing or borrowing the government lowers the future ability of the economy to create wealth and, hence, higher standards of living.

8. **Deficit spending today requires higher taxes tomorrow**.

Even if the nation's debt is never paid back (a likely outcome), the interest on the debt goes on forever. The present value of all future interest payments equals the value of the debt. If other government spending does not decrease, then taxes must be raised.

9. **No single financial institution is 'too big to fail' but the financial system is.**

Preserving the financial system may on occasion involve saving some financial institutions but that should come at a cost to the institutions saved.

10. **Corporate death is as much a part of economic life as corporate birth**.

All organizations (including government run enterprises) should have 'living wills' that allow them to die when they are no longer able to live independently. There is little reason to put businesses on life support.

11. **When corporations die, their assets are sold to the highest bidders and re-employed in a more efficient and effective manner. Jobs are not lost; labor can be relocated, retrained or retired.**

Liquidations, buy-outs, and mergers repackage the assets in portfolios that are more efficient and productive**.** Society gains by greater production at a lower cost. Labor may have to be retrained, relocated or retired.

12. **Taking money out of some people's pockets and putting it other people's pockets has no net fiscal effect.**

Payments like social security, food stamps, unemployment compensation, and the like simply transfer spending power from some individuals to other individuals. No overall increase in economic activity emerges. If economic growth were to be created by that process then funds should be taken from the elderly and given to the very young.

13. **Bonus (or baker's dozen): All subsidies subsidize the same thing: inefficiency**.