

WSJ Op-ed

Obama and Economic Opportunity

By JACK KEMP

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Dear Barack,

Greetings, it's me again, giving more advice and taking you up on your thoughtful suggestion to open up a national discussion and dialogue on race and racial reconciliation in America.

First of all, some historical perspective, not for you senator, but for my other readers.

I believe all great achievements in our nation's progress toward social, legal and economic justice have been led by a combination of agitation and idealism. From the Founders in 1776, to the Civil War waged to save the union and abolish slavery, to the Civil Rights Movement which began to fully integrate African Americans into the electoral and economic mainstream, we have wrestled with, debated and discussed the next steps that are needed toward "a more perfect Union."

Each great era of progress was led by men and women of conviction who challenged us to live up to the highest ideals of our nation, who declared in a very radical way that we are all God's children. This ideal was not even close to reality until the passage of the 1964 Civil Rights Act and the 1965 Voting Rights Act, both of which were aimed at abolishing the last vestiges of the evil practices known collectively as "Jim Crow."

This month I thought about April 15 not just in terms of taxes (they're too high and complex), but because of a great African-American agitator, Jackie Robinson, who broke the color barrier in baseball on that date and helped lead all professional sports to higher levels of excellence and performance.

Barack, as we fast-forward to today, I contend we've successfully integrated the U.S. military, the arts and entertainment, and sports at all levels. The one area of American life that is still very separate and very, very unequal is our economy. Many people of color have risen spectacularly against the odds – Oprah Winfrey, Bob Johnson, Magic Johnson, Whoopi Goldberg and many other professional athletes, entertainers and businessmen and women of whom we can be proud. Still, we need to look at all those left behind, all those you have spoken of who today lack economic opportunity to climb the ladder of wealth, ownership and asset creation so central to achieving the American Dream.

As Jesse Jackson said at a Wall Street Project conference I attended, "Capitalism without capital is nothing but an ism." Truer words were never spoken. Look at the great fortunes generated by the Carnegies and Mellons, the Rockefellers, Guggenheims and others. These were established in an economic climate of sound money with very low taxes on income, estates and capital gains.

Before you start thinking, "There goes Kemp again, calling for a kind of laissez-faire approach to capitalism," let me note that incentives in the tax code to encourage investment have been championed at one time or another by both political parties – from Coolidge to Kennedy and from Reagan to Rangel. (Charlie Rangel to a lesser degree, but my old friend co-sponsored enterprise zones, with Joe Lieberman and me, that actually zeroed out capital gains taxes and has called for a cut in corporate income tax rates.)

In my opinion, people of all colors and income levels don't hate the rich. They want to get rich. They're more interested in generating wealth than they are in redistributing wealth. They want to own property, educate their children and build a nest egg that can be passed on to their heirs. Unfortunately, some aren't able to access the same ladder of opportunity that is so readily available to the majority.

As I'm fond of saying, you can't get rich on wages, you have to earn, save, invest, reinvest and pass on to your children the products of your labors.

Senator, I believe our tax code punishes this process of upward mobility, especially for people of color, and in some cases it actually prevents people from escaping poverty. In this respect, I believe your economic views are short-sighted. You've pledged to raise income tax rates to 39.5% and lift the cap on payroll taxes, which would end up raising the top rate on income to 52% or more. You also want to raise dividend taxes to 39.5% and capital gains to 28%, plus you want to return to a confiscatory 55% "death tax." Unwittingly, your plans would prohibit most black Americans, indeed most Americans, from ever getting rich or even richer. Your economic ideas, sincere as they are, would weaken the economy, weaken the dollar, and weaken our chances of reducing poverty and unemployment.

It's my strongly held belief that we should be working to democratize our free-enterprise, private property-based system. We can do this by expanding empowerment zones and offering zero capital gains taxes for those who invest there; by reforming the tax code to open access to capital; and by providing more school choice in urban America.

As for the housing sector, we should listen to my former colleague Bruce Bartlett, who has called for the repeal of this year's \$117 billion tax rebate, and to redirect the money into a package of measures that would help those homeowners who actually need assistance to save their homes.

By giving people access to capital and allowing them to take ownership of assets, entrepreneurship will be encouraged and the cycle of poverty can begin to be broken. All persons should have the opportunity to go as high as their merit and determination can carry them. My favorite quote is from Abraham Lincoln, who said, "I don't believe in a law to prevent a man from getting rich; it would do more harm than good. So while we do not propose any war upon capital, we do wish to allow the humblest man an equal chance to get rich with everybody else."

Lincoln's definition of entrepreneurial capitalism is the best I have ever heard. I believe that a bipartisan consensus could be reached in America on a 21st-century war on poverty that takes the best of the "center left" and the best of the "center right" on the reforms necessary to make the American Dream accessible to all our people. We may have a long way to go, but I remain an optimist about improving the human condition, expanding our democratic ideals, and forming a true partnership with private enterprise.

I love what Bobby Kennedy said in Bedford-Stuyvesant in 1968: "To ignore the potential contribution of private enterprise is to fight the war on poverty with a single platoon, while great armies are left to stand aside."

Barack, let's get together with, say: John Bryant of Operation Hope in Los Angeles; Ambassador Andrew Young of Good Works International; Bob Woodson of Neighborhood Enterprise Foundation in Washington, D.C.; Ted Forstmann of Forstmann Little & Company in New York; Russell Redenbaugh, a U.S. civil rights commissioner in Philadelphia; and economist Art Laffer. We can discuss how best to tackle the issue you raised in your March 18 speech, when you identified the lack of economic opportunity for people of color as one of our nation's greatest challenges.

Any interest, sir?

Mr. Kemp is a former congressman, the 1996 Republican vice presidential candidate, and a former secretary of Housing and Urban Development.