

NEWS RELEASE

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## **Putting Real Numbers to 9/9/9.**

**Our thoughts on Presidential Candidate Herman Cain's proposal for tax code simplification and 9% mostly flat tax rates on income, consumption and corporate profits appearing in today's Wall Street Journal**

**Geneva** – It's too bad Mr. Cain did not quantify things a bit better. Our very quick, back-of-the-envelope test suggests his plan could raise \$2.8-\$2.9 trillion in revenues. The breakdown would roughly be: national sales tax = \$1.0 trillion, income tax = \$700 billion and corporate tax = \$1.2 trillion. That would be enough to move the tax revenue/GDP ratio back to around 18.5%, or its historic average. The problem is \$2.9 trillion isn't too different from our current Medicare, Social Security, Defense, interest on debt, public pension obligation. That means under 9/9/9 the government would in all probability still be deficit spending. That also means no debt pay down is likely as Mr. Cain hopes.

The plan is a good start. It certainly creates many of the right incentives to get things moving. The problem is Mr. Cain completely sidesteps reforming entitlement spending. Combine this with his pitch for enterprise zones (suggesting he is smarter than the market when it comes to locating companies and hiring employees) and it is difficult to think of him as anything other than just another ambitious politician. To quantify if Americans are looking for another politician as their next President, we recall the September 2011 Gallup poll showing 82% disapprove of the job Congress is currently doing.

Please call with questions.

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