AS THE U.S. ELECTION GETS CLOSER, VOTERS ARE BEING BOMBARDED WITH MESSAGES ABOUT DIFFERENT ECONOMIC PLANS TO KICKSTART GROWTH. WHILE PRESIDENT OBAMA WANTS TO FINISH WHAT HE STARTED, GOV. MITT ROMNEY OFFERS A DIFFERENT PRESCRIPTION. AND ALTHOUGH ROMNEY HAS BEEN CRITICIZED FOR NOT OFFERING MANY SPECIFICS, HIS INTENT TO LOWER TAXES IS CLEAR.

THE SUPPOSED LOGIC OF CUTTING TAXES GOES LIKE THIS: IF YOU KEEP MORE OF THE MARGINAL DOLLARS YOU EARN, YOU WILL WORK HARDER TO KEEP THOSE ADDED EARNINGS. IF TAX RATES ARE HIGHER, YOU WILL HAVE LESS INCENTIVE TO WORK AS HARD. THIS ARGUMENT IS AT THE HEART OF THE ROMNEY-RYAN ECONOMIC PLAN, AND HAS BEEN ASSERTED SO MANY TIMES THAT MOST PEOPLE DON'T EVEN THINK ABOUT WHETHER IT'S TRUE. CERTAINLY CONSERVATIVES DON'T.

BUT THERE'S A DIRTY LITTLE SECRET ABOUT TAX CUTS: THEY GENERALLY DON'T DO WHAT THEY'RE SUPPOSED TO. IN FACT, WHEN YOU DISSECT HOW TAX CUTS AFFECT INDIVIDUAL INVESTMENT BEHAVIOR AND MOTIVATION TO WORK, THE MESSAGE THAT EMERGES IS VERY DIFFERENT FROM THE ONE CONSERVATIVES HAVE BROADCAST FOR YEARS.

LET'S START WITH THE BASIC QUESTION: HOW DO WE KNOW THAT PEOPLE WILL BEHAVE IN THE WAY PRESCRIBED BY CONSERVATIVE ECONOMIC THEORY? AS NEW YORK TIMES WASHINGTON BUREAU CHIEF DAVID LEONHARDT REMINDED US IN A COLUMN SEPT. 16 THAT GOT ME THINKING ABOUT ALL THIS, TAX CUTS MADE UNDER PRESIDENT GEORGE W. BUSH DID NOT LEAD TO GREATER ECONOMIC GROWTH AFTER ALL. BY CONTRAST, TAX INCREASES UNDER THE PRESIDENT GEORGE H.W. BUSH AND PRESIDENT BILL CLINTON WERE ACTUALLY ASSOCIATED WITH BOOMING ECONOMIC TIMES.

NOW, BECAUSE OF THE VERY COMPLEXITY OF MODERN ECONOMICS, IT IS FOOLISH TO ASSUME THAT PULLING ONE TAX-POLICY LEVER WILL LEAD TO A PARTICULAR BEHAVIOR. INDEED, REPUBLICANS EXPLAIN AWAY THE APPARENT CONTRADICTIONS CITED ABOVE BY NOTING, CORRECTLY, THAT TECHNOLOGY-ENABLED PRODUCTIVITY HELPED CLINTON AND THAT GEORGE W. BUSH WAS UP AGAINST THE ECONOMIC EFFECTS OF 9/11, AS WELL AS TWO WARS (OF HIS OWN INITIATION, I MIGHT ADD).

WELL, YOU CAN'T HAVE IT BOTH WAYS. IF WE CAN'T CREDIT PRESIDENT CLINTON FOR PRESIDING OVER A GROWING ECONOMY WHILE Raising TAXES, WE CAN'T NARCISISTICALLY COUNT ON THE ROMNEY-RYAN PLAN TO GENERATE GROWTH BY CUTTING TAXES. (AS AN ASIDE, HOW IS IT THAT GROWTH IN THE TECHNOLOGY SECTOR WAS SO ROBUST WHEN GOVERNMENT WAS RAISING TAXES, NOT LOWERING THEM?) AT ANY RATE, CAUSAL ARGUMENTS ARE DECAY WHEN THERE'S SO MUCH GOING ON IN THE ECONOMY, IN THE WORLD.

WHY NOT CONSIDER THE POSSIBILITY THAT HUMAN BEHAVIOR WILL BE DIFFERENT IN THE FACE OF TAX CUTS? FOR EXAMPLE, IF ADAM FINDS HIS MARGINAL TAX RATE HAS BEEN CUT, WHY DOESN'T HE DECIDE TO WORK LESS, NOT MORE, SINCE HE COULD GENERATE THE SAME TAKE-HOME PAY HE HAD BEFORE BY WORKING FEWER HOURS? BY THE SAME TOKEN, IF WE RAISE ADAM'S MARGINAL TAX RATE, HE WOULD NEED TO WORK LONGER AND HARDER TO EARN THE SAME AMOUNT OF MONEY. DIFFERENT BEHAVIORAL ASSUMPTIONS, VERY DIFFERENT OUTCOMES.

THE FACT IS, THERE ARE PLenty OF THEORETICAL ARGUMENTS ON WHY TAX-RATE CUTS CREATE GREATER INCENTIVES TO WORK, BUT LIKE MANY THINGS IN ECONOMICS THIS VIEW IS ONE-SIDED AND BASED MORE ON FAITH THAN ON EVIDENTIAL EVIDENCE. WHILE INCENTIVES ARE POWERFUL DRIVERS OF BEHAVIOR, IT IS IMPORTANT TO THINK THROUGH THE IMPLICATIONS OF THESE INCENTIVES AND HOW THEY MIGHT BE INTERPRETED BY THE PEOPLE THEY ARE INTENDED TO INFLUENCE.

WE CAN GO FURTHER. ONE OF THE MOST OFT-REPEATED CLAIMS OF CONSERVATIVES IS THAT IF WE RAISE INCOME TAXES, BUSINESS OWNERS WILL DECIDE TO INVEST LESS THAN THEY OTHERWISE WOULD, A CLEAR NEGATIVE FOR THE ECONOMY. WELL, IS THAT REALLY THE CASE? IF THERE IS A COMPETING BUSINESS OPPORTUNITY, COMPANIES WILL INVEST IN IT REGARDLESS OF THE MARGINAL INCOME TAX RATE. THIS IS NOT TO SAY THAT TAX POLICY DOES NOT AFFECT CORPORATE STRATEGIC DECISION-MAKING; BUT THERE IS A BIG DIFFERENCE BETWEEN CORPORATE TAX POLICY AND PERSONAL TAX POLICY. CORPORATIONS HAVE CHOICES ABOUT WHERE TO INVEST, AND NATIONAL TAX POLICIES PLAY A ROLE, BUT VERY, VERY FEW PEOPLE ACTUALLY MOVE OUT OF A COUNTRY BECAUSE OF TAXES — NOTWITHSTANDING FRENCH BILLIONAIRE BERNARD ARNAULT, CEO OF THE LUXURY GOODS COMPANY LVMH.

AND WHAT IF THEY DID? IN A COUNTRY AS DYNAMIC AS AMERICA, ANYTHING SHORT OF A GENUINE BRAIN DRAIN (WHICH ISN'T LIKELY) CREATES GREATER OPPORTUNITY FOR NEW TALENT, NEW IDEAS AND NEW COMPANIES. IF A BUSINESS CHOOSES NOT TO INVEST IN AN OPPORTUNITY, DOES THE OPPORTUNITY GO AWAY? THERE IS NO SUCH PRINCIPLE IN BUSINESS. WHAT HAPPENS IS THAT OTHER PEOPLE — WE CALL THEM ENTREPRENEURS — WILL TAKE ADVANTAGE OF THE OPENING TO BUILD THEIR OWN BUSINESSES.

THE U.S. ECONOMY DOES NOT DEPEND ON A SMALL NUMBER OF PEOPLE OR COMPANIES TO GENERATE WEALTH. IF HIGHER MARGINAL TAX RATES MAKE YOU WANT TO PACK IT IN, I SAY THANK YOU FOR YOUR CONTRIBUTION AND LET'S MAKE WAY FOR NEW TALENT.

FOR TOO LONG THE BASIC TENETS OF CONSERVATIVE ECONOMIC POLICY, AND IN PARTICULAR THE EFFECTS OF REDUCTIONS TO MARGINAL INCOME TAX RATES, HAVE BEEN TAKEN ON FAITH. IN REALITY, ALL TAX POLICY IS DIRECTED TOWARD INDIVIDUALS MAKES CRITICAL ASSUMPTIONS ABOUT HUMAN BEHAVIOR THAT NEED TO BE EXAMINED MORE CLOSELY. CONSERVATIVE TAX POLICY IS NOT DIFFERENT. YET IT HAS TAKEN ON A KIND OF ORTHODOXY SUCH THAT EVEN LIBERALS DON'T OPENLY QUESTION IMPLICIT BEHAVIORAL ASSUMPTIONS ANYMORE. THE ARGUMENTS OF LIBERALS AGAINST CUTTING TAXES REST UPON FAIRNESS AND EQUITY, BUT MAYBE IT'S TIME TO QUESTION THE UNDERLYING ASSUMPTION THAT TAX CUTS REALLY WORK.

SYDNEY FINKELSTEIN, PROFESSOR OF STRATEGY AND LEADERSHIP, IS ASSOCIATE DEAN FOR EXECUTIVE EDUCATION AT THE TUCK SCHOOL OF BUSINESS AT DARTMOUTH AND AUTHOR OF WHY SMART EXECUTIVES FAIL.