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'Economists' (at Least Three!) Agree It's Impossible to Cut the Deficit Without Tax Hikes

Jacob Sullum | February 17, 2010

The lead story in the national edition of today's *New York Times* warns that "Party Gridlock Feeds New Fear of a Debt Crisis." Reporter Jackie Calmes strongly suggests that the main cause of this gridlock is Republican resistance to tax increases:

> Elected Republicans...are under intense pressure from their party's conservative base to oppose any tax increases—a line in the sand that dims any prospects for bipartisan cooperation. Yet economists, including veterans of past Republican administrations, are vocal in insisting that the debt problem is too great to be solved without increasing revenues somehow and perhaps moving to a new consumption tax system like Europe's.
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> The same economists also say a significant deficit-reduction plan is not possible unless Mr. Obama breaks his campaign promise not to raise taxes for households making less than $250,000. Last week, Mr. Obama said he would not impose that condition or any other on a fiscal commission.

Note how Calmes, by saying "economists" are demanding tax increases, implies a consensus, although strictly speaking she could be referring to three guys, two of them Republicans. She adds that "the same economists" who insist on "increasing revenues" also say the tax hikes cannot be limited, as Obama repeatedly promised during his campaign, to households earning more than $250,000 a year. Calmes fails to note that Obama has already broken this promise by signing a cigarette tax increase and proposing an excise tax on people who don't buy health insurance.

It clearly isn't true that Congress can't significantly reduce the deficit without tax hikes. The Cato Institute, for instance, has lots of suggestions. And if "the debt problem" is that the government is sucking up too many resources that would otherwise be used more productively, taking the money out of current taxes instead of future taxes does nothing to alleviate it. But that is not how Calmes and her unnamed economists view the debt problem. Calmes does mention that "the government will be competing with the private sector for credit, forcing interest rates higher and imperiling future prosperity." But judging from her article, the main problem with government debt is that it inhibits government spending:

> As debt rises, so do interest costs; by 2014, at a projected $516 billion, they will exceed the budget for annual appropriations for domestic programs....

> Foreign investors now own more than half of the publicly held debt, and officials for the largest creditor, China, have fretted publicly about the fiscal course of the United States. While few expect foreigners to dump their assets, since the resulting plunge in values would hurt them as well as everyone else, the fear is that investors will demand higher interest payments and reduce or stop future debt purchases, threatening the government's ability to finance its borrowing.

In short, the government must raise taxes now instead of cutting spending so that it can preserve its ability to spend more in the future. And if you don't agree with that assessment, you are a partisan obstructionist who is willing to sacrifice the nation's future for the sake of short-term political gain.

Last week Radley Balko noted that Obama is already signaling that voters were foolish to believe his tax promise.