

THE DAILY CALLER

Democrats' leftward drift is blocking tax reform

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By [Chris Edwards](#)

Is Washington gridlock the GOP's fault? That's what Norman Ornstein of the American Enterprise Institute and Thomas Mann of the Brookings Institution claim in a recent [Washington Post](#) op-ed. According to them, Republicans have become "ideologically extreme" and are blocking needed bipartisan reforms.

That certainly isn't true, with respect to tax reform. The landmark Tax Reform Act of 1986, which slashed tax rates in a bipartisan deal, passed both chambers with large majorities. It was designed so as not to raise taxes on any income group. But today, the Democrats are not interested in any such revenue-neutral deal.

The comments by Harvard University's Lawrence Summers, arguably the most important economist on the Democratic side for the last two decades, [last week at Brookings](#) exemplify this attitude. Summers discussed four priorities for tax reform.

First, he stressed the "central importance of revenue raising." He opined that "any discussion of tax policy needs to start there" because the government needs a "significant increase in revenues."

Next, he said he wants to strengthen "progressivity" and ensure that high earners pay a "fair share." Summers implied that the tax code should be a tool for redistribution with government policy targeting the ratio of high-earner incomes to middle-class incomes.

Summers rated the other two goals of tax reform — economic efficiency and simplification — as less important. Indeed, he pooch-pooched them. Yet those two goals have long been synonymous with the meaning of "tax reform," and were central to the policy thrust of the 1986 act.

Republicans today still support the goals of 1986 — cutting rates, ending loopholes and improving efficiency within a revenue-neutral package. House Budget Chairman Paul Ryan's (R-WI) tax plan is a good example. But for Summers, President Obama and Democratic leaders in Congress, tax reform has morphed into an agenda of growing the government and penalizing high earners.

For further evidence of the Democratic shift, let's compare Summers' goals with the tax reform goals that Democrat Dick Gephardt (R-MO) described [in his 1985 Cato Journal article](#). Gephardt — who would become House majority leader — was a key player in the 1986 tax reform effort. In his article, he says, "We in Congress take pride in the free

market system,” which illustrates why he was able to forge a deal with free-market Ronald Reagan. You never hear Democratic leaders say that sort of thing today.

Gephardt said that the “most important” goal of tax reform was to “stimulate the growth of our economy” and to “achieve greater efficiency in the way the tax code works.” By contrast, with respect to tax efficiency and neutrality, Summers said that he puts “less emphasis on these questions right now in the United States than I would have over most of the last 25 or 30 years.”

Gephardt’s second most important goal for tax reform was “fairness,” but his usage of that word was different from the usage of today’s Democrats. For Gephardt, fairness meant closing loopholes and reducing tax rates. His aim was horizontal equity, meaning that people with similar incomes pay similar amounts of tax.

By contrast, today’s Democrats use “fairness” to mean raising taxes on high earners. Back then, Gephardt stressed the opposite: “If we are going to pass a tax reform bill, we desperately need to avoid the distributional debate.” The tax plan that he wrote with Senator Bill Bradley (D-NJ) — the Bradley-Gephardt Fair Tax — cut the top personal tax rate to 30 percent.

Today, President Obama puts redistribution at the center of his tax agenda, and he wants to hike the top rate to more than 40 percent. He is determined to raise income taxes on high earners, even though they currently pay a much larger share of taxes than they did in the 1980s. Obama’s emphasis dooms any chance of serious reform in the personal income tax.

Gephardt’s third goal was simplification. He wanted to reduce the “constant meddling” in the tax code and enact lower rates with fewer deductions, credits and other breaks. Today, Obama is proposing one special tax break after another.

The Bradley-Gephardt plan had serious flaws, as did the 1986 Tax Reform Act. And Gephardt was no champion of free markets in other policy areas. However, the Democrats of the 1980s were willing to give the Reagan pro-growth agenda a chance, not just on tax reform, but on deregulation as well.

Today, I wonder whether Ornstein and Mann can think of any policy areas where President Obama and Democratic leaders are willing to accept pro-market, small-government reform ideas.

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