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Could we all please have a grown-up tax conversation?

By: Benjamin Wachs – April 12, 2013

After the legislature approved a budget that extended the “millionaire’s tax” he’d demanded two years ago, Gov. Andrew Cuomo said that it isn’t really a tax increase because it wasn’t a *new* tax — just an extension of a previously existing tax. He’s against new taxes, you see.

It would seem like he’s lying to us about taxes if the bar for that weren’t so low already.

Here in Monroe County, after all, we have an administration that’s spent the last 10 years claiming it hasn’t raised taxes, in spite of the fact that they’ll take you to court if you try to pay them what you did in 2003. And that administration was given some vital fiscal breathing room by the previous administration which, after eight years of saying it would never raise taxes, raised them right before Maggie Brooks took office — because it would help her out.

Taxes may be the only thing that politicians lie about more than sex. Voters who would never believe the words “I was hiking the Appalachian Trail” and “I don’t know if that’s my underwear” are still falling for “I’ll never need to raise your taxes” and “I’m not raising your taxes right now.” If anything, voters demand to be told about taxes in terms more appropriate for fairy tales and nursery rhymes. Did you know we don’t need new taxes to balance the budget? It’s true: As long as you click the heels of your ruby, white and blue slippers together three times and wish really hard.

Seriously: That’s in the House Republican budget plan. Except that instead of “ruby slippers” it’s “steel toed cowboy boots” and instead of “wish really hard” it’s “purchase a firearm without undergoing a background check.”

It’s not true, of course, because math still works. You can’t balance the budget without new taxes unless you radically slash Social Security, Medicare, and the military. Everybody knows it except the American public, because we demand to be lied to.

The lie is wearing thin. This year California’s budget, perennially on the brink of insolvency, has turned around a surplus and improved the economy — in large part because the voters approved new taxes for the first time in decades. Cuomo was right the first time around when he created the Millionaire’s tax: It helped keep New York’s schools open and critical services running. America was at its most prosperous historically when it had some of its highest tax rates.

We just don’t talk about it.

That’s got to stop — we need to be able to talk about taxes like adults. Our current fairy tale — that taxes are hiding under the bed and will eat good Americans who let their toes dangle out of the covers at night — is quietly strangling our economy. We must do better.

One of the most interesting ideas about taxes I've come across recently (hat tip to Andrew Ferguson of the Weekly Standard) came from William Niskanen, the now-deceased chairman of the libertarian Cato Institute.

Niskanen concluded that "Starve the Beast" – the attempt to shrink government by reducing the amount of revenue it takes in – not only fails to reduce the size of government, but actually leads to more of it. That's a matter of historical record: Notice how much the federal budget and debt grew under tax hawks like Reagan and the second President Bush, while the government was actually running a surplus by the end of the Clinton years.

Government grows more when it has no new tax revenue, and grows less when taxes are raised. Why? Basic economics. Assume that "government" and the services it provides are a good (like potato chips in a supermarket.) The cheaper a good is, the more people will want it even if they don't need it. The more expensive it is, the fewer people are going to put it in their shopping carts.

Assuming Americans really aren't going to accept the massive slashing of entitlement programs and the military (and we never have), then keeping taxes artificially low only means that people are subjectively paying less for government ("subjectively" because the bill is getting passed on to future generations). If they think they're paying less for government, they'll want more of it. Why not demand a new Medicare drug plan? It's not like it's costing you anything. No one's going to raise your taxes.

It's only when people actually have to pay for the government they want ... when their taxes go up in order to pay for the programs government takes on ... that they'll want less of it. Only then will they say, "Hey, are we sure we can afford a new federal agency to monitor pet dander?"

You can argue about whether Niskanen's right – I think he is – but he was making a grown-up case for taxes. That's something that Andrew Cuomo and Maggie Brooks and hundreds of other politicians who are actually raising taxes won't do.