

THE WEEK

Right-wing hostility to Marco Rubio's tax plan shows the GOP is stuck in the past

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If voters think the GOP's big economic idea is tax cuts for rich people, the next American president will probably be another Democrat.

The American electorate isn't exactly eager to help the wealthy keep more of their money. A [YouGov poll](#) earlier this year found that only 29 percent of Americans agree with the idea that "lower taxes on the wealthy stimulates the economy, with the end result of greater wealth for everyone." A recent [Pew survey](#) found that just 27 percent of American adults say the amount they pay in taxes "bothers them a lot." More than 60 percent say they are bugged by their perception that rich people and corporations don't pay enough.

That's why it was savvy of Marco Rubio to talk more about education than tax cuts during his presidential announcement speech on Monday. But the Florida senator does have a [big tax-cut plan](#), first co-authored with Sen. Mike Lee of Utah. And this plan would indeed cut taxes for rich people. The top tax rate on labor income would fall to 35 percent from 40 percent. And investment taxes, like those on capital gains from a stock portfolio, would be eliminated. Overall, the proposal would lose \$2 trillion to 4 trillion over a decade, depending on how much it boosted economic growth.

But as much as Rubio would cut taxes for the top, he wouldn't take rates back to the 25 percent level of the Roaring Twenties either — only to where they were during George W. Bush's presidency. And he also wants a big tax cut for families, by expanding the Child Tax Credit and letting parents apply it against both income and payroll taxes. And for those two sins against the current Republican consensus, [The Wall Street Journal](#) editorial page declares Rubio "strong on foreign policy, less so on taxes" and disparagingly calls him the leading GOP proponent of the idea "that the Reagan tax-cutting agenda is a political dead end, and that the party now must redistribute revenue directly to middle-class families."

The *Journal* is hardly alone among the right's "supply-side" wing in viewing the Rubio plan as weak tea. "There is a risk that with [Ted] Cruz and [Rand] Paul both talking about a flat tax that Rubio, even though he does some big and important things, might get lost in the clutter," the Cato Institute's Daniel Mitchell recently told [Politico](#).

So what does it take to win the GOP's tax-cut derby among old-school supply-siders and the new tea partiers? Big tax rate cuts for those at the top, apparently. When Rand Paul announced his

White House run earlier this month, his [campaign website](#) featured a flat tax with a top 17 percent rate — the lowest top rate since 1916 — that would reduce U.S. tax revenue by \$700 billion a year. Paul has since replaced those specifics with a vague promise to deliver "the largest tax cut in American history." And during his announcement speech, Ted Cruz asked listeners to "imagine a simple flat tax that lets every American file his or her taxes on a postcard." Back during the 2012 GOP presidential campaign, Rick Perry also proposed the flat tax-postcard combo, which the [Tax Policy Center](#) calculated could lose as much as \$1 trillion a year in tax revenue, not counting any added economic growth.

Now, it's one thing for a politician to offer an overly ambitious agenda and then scale back once in office. But these flat tax plans are more fantastical than aspirational. Rubio is smart to avoid them.

Paul also wants to balance the budget in five years. When combined with his tax cuts, that could mean finding \$1.2 trillion in spending cuts. That's roughly equal to all federal discretionary spending, everything from defense to the National Institutes for Health. Or the flat taxers could raise taxes on working-class Americans who currently pay little or no income tax. Then again, maybe these tax cuts will pay for themselves through much faster economic growth. But [academic research suggests](#) that the revenue-maximizing point on the "Laffer Curve" is considerably above any of the income tax rates currently being discussed by Republican flat-tax advocates.

As I wrote in a previous [The Week](#) article, the Rubio plan has some great elements, including middle-class tax relief and sweeping corporate tax reform. There is also merit in lowering the top tax rate somewhat to signal that conservatives will not accept its continual ascent to pre-Reagan levels. And while Rubio's plan loses too much money, and taking investment tax rates all the way to zero would seem a political bridge too far, these are [fixable issues](#), and something like the Rubio plan might pass some future Congress.

Critically, the Rubio proposal recognizes that while the U.S. needs faster economic growth, acceleration alone might not help many middle-class families in an economy buffeted by [automation of middle-skill jobs](#) and [globalization](#). In short, it's an attempted response to real-world problems and conditions, not ideological litmus tests. His competitors might want to try the same strategy and reject the economic nostalgia and wishful thinking that's infected much of today's GOP policy debate.