

## Tax hikes on the rich won't do it

By Tracy Warner

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The debate of the month, staged largely for our entertainment and not much else, is whether Congress should extend what commonly are referred to as the Bush tax cuts. Those are the big breaks we got beginning in 2001 that expire at the end of the year. We can relax and enjoy the show. They aren't arguing about our money. The choice is whether to extend tax cuts for everybody, or nearly everybody. As far as the federal government's revenue goes, and the horrible federal deficit everybody talks about, whatever they do won't make much difference. It will still be bad, and getting worse.

Remember, these were pretty hefty tax cuts. Without action by Congress tax rates will go back to Clintonian levels on Jan. 1, a big hike for most of us — perhaps 30 percent or more for middle income folks. You will definitely notice.

Republicans and many Democrats want to just forget it and extend the tax cuts for everybody. President Obama and many allies want to extend them for everybody but people earning more than \$200,000 a year, or \$250,000 a year for families. This is an interesting ideological difference. House Speaker Nancy Pelosi says the absence of higher tax rates on rich people forces the government to “underwrite and subsidize taxes cuts for the wealthiest people,” as if a failure to confiscate more of their money is the equivalent of government paying for their beach house. You can say it is good policy to reduce rich people's real incomes by taking a larger share, but it is not going to have much impact on the things we should really worry about, like how much government spends, and how much it borrows, who we borrow from, and how it all ends.

Our 2010 deficit is \$1.35 trillion. The Congressional Budget Office says that's about 9 percent of gross domestic product, the sum of everything we make in a year. Michael Tanner of the Cato Institute recently noted, as did many others, how big a change this is. Over most of the last 40 years federal spending ran about 21 percent of GDP, and revenue about 18 percent, leaving a deficit of about 3 percent of GDP. Since the tax cuts and recession, revenue is about 14.6 percent of GDP, and federal spending is up to about 24 percent. In the next 10 years the cumulative deficit will be more than \$10 trillion, without the Bush tax cuts.

According to the Brookings-Urban Tax Policy Center, extending all the Bush tax cuts adds \$3.7 trillion to the deficit in a decade. The Obama tax-the-rich plan cuts \$680 billion off that, about \$68 billion a year average. Sounds like a lot, but it isn't. “The impact of the Obama proposal is virtually identical to that of extending all of the cuts for the vast majority of taxpayers,” it said.

So, if you wanted to reduce the federal deficit to the traditionally horrifying but sustainable level of 3 percent of GDP, how much would you have to raise taxes? Eliminate the Bush cuts, and then raise everyone's taxes by another 40 percent, said the Tax Policy Center. That's not to eliminate the federal deficit, just to slow down its growth, they said. To get to the same point by taxing sort-of rich people, families making more than \$250,000 a year, you would have to raise the top tax rate to 77 percent, from the current 35 percent. “Such dramatic tax increases are politically untenable and still wouldn't come close to eliminating the deficit.”

There's more for your deficit nightmares. The Tax Policy Center quotes the Congressional Budget Office, saying that by 2020 projected spending on the sacred, inviolate, unchangeable federal programs — Social Security, Medicare, Medicaid, defense, interest on the national debt — will be 106 percent of projected federal revenues. That's without the Bush tax cuts. Cut everything else, everything, and we still can't do it.

You can't save us with tax hikes on the rich. You can't save us with tax hikes all around. We'll eventually have tax hikes for everybody and less spending on everybody. Let's face it.

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