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Thursday, October 4, 2012

The Political Economy of the Romney Tax Plan


I reeeeeally want to try to give Candidate Romney the benefit of the doubt today. I want to think that he's an honest, sincere man who wants to do the right thing for the country when it comes to tax policy. I want to be part of the 53 percent of Americans who favors Romney's arguments on taxes. I also want to be able to blow off the contradictory comments by his VP nominee, saying that under their plan people will pay less in taxes to the federal government, while maintaining that the plan would be revenue neutral ("it would take me too long to go through all of the math" wasn't even the worst part of the interview!). I even want to ignore the fact that Mr. Romney won't give sufficient details about his plan for think tanks like the Tax Policy Center to score it. Even the conservative Heritage Foundation cannot give a definitive analysis of how Romney's plan would achieve budget-neutrality. In fact, all Heritage does do is criticize the TPC's analysis for not having enough information. Touche.

But I want to ignore all of those inconsistencies in the analysis. Let's imagine that there are enough deductions that can be eliminated to compensate for the several hundred billion dollars in rate reductions Mr. Romney proposes.

Let's assume that the secret details of Mr. Romney's plan to broaden the base through eliminating deductions will work. What, then, is the political equilibrium of the legislative bargaining process?

What I would suggest is that any political equilibrium would result in all or most of the loophole-closings would get tossed out of the bill through the influence of special interests, ideological gridlock. I would also suggest that, in order to get the bill through, some degree of logrolling will have to occur during the amendment process. (Don't take my word for it, take it from the conservative Cato Institute, a Koch-funded far-right think tank.) But, the one (and possibly only) part of Mr. Romney's plan that is likely to come through the process relatively unscathed is the tax cuts.

So, if I'm going to come away from listening to Mr. Romney's tax proposals and still believe that he's being honest, I also have to come away thinking he's incredibly naive.

Posted by James Bang at 10:14 No comments:  Links to this post

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