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Paul Krugman is a Liar: Does the New York Times Care?

By Richard Baehr

Paul Krugman's New York Times column for August 23 on extending the Bush tax cuts is not merely misleading, it is an outright and deliberate fabrication. For more than a decade Krugman has been writing two columns a week for the New York Times opinion pages. Opinion pieces are designed to express a point of view, but the argument is supposed to be supported by facts.

Krugman is a Princeton economics professor who won a Nobel Prize in Economics. So the alternative explanation for Krugman's column today -- that he is just stupid, and very bad with numbers would seem to be far less likely than that he lies in order to deliberately mislead Times readers and the general public.

Krugman never liked the Bush tax cuts of 2001. The economy was in recession at the time the cuts were passed, and Krugman, who is a Keynesean, generally supports lots of stimulus to address weak economies. However, he prefers massive injections of government spending to tax cuts, and if tax cuts are a part of any stimulus package, he thinks the cuts should not include any tax reductions for wealthy people. The Bush tax cuts included cuts for all taxpayers, and were set to expire at the end of 2010.

Krugman, who seems utterly unconcerned with deficits today -- he wants much more government spending, and an extension of most of the Bush tax cuts, railed at the Bush tax cuts in 2001 for their impact on the deficit (estimated revenue loss of $1.2 trillion for ten years when passed). He admits in his column today that extending the Bush tax cuts that President Obama wants to continue for another ten years is expensive. Those tax cuts are for individuals earning less than $200,000 a year, or families earning less than $250,000. In his article, Krugman does not provide any numbers for the cost of extending the tax cuts for those earning less than the target amounts. Those tax cuts are by far the biggest share of the cost of extending the Bush 2001 tax cuts. Despite that, Krugman lets loose this whopper with relation to the cost of extending the 2001 tax cuts to the highest earners:

> "And where would this $680 billion go? Nearly all of it would go to the richest 1 percent of Americans, people with incomes of more than $500,000 a year. But that's the least of it: the policy center's estimates say that the majority of the tax cuts would go to the richest one-tenth of 1 percent. Take a group of 1,000 randomly selected Americans, and pick the one with the highest income; he's going to get the majority of that group's tax break."
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> Quite simply, if you take a group of 1,000 randomly selected Americans, and pick the one with the highest income, he is not likely to get a majority of the tax benefit of that group. Far from it.

The article Krugman links to in order to support his conclusion was written by Adam Looney for the purportedly non-partisan Tax Policy Center, a joint effort by the Brookings Institution and the Urban Institute (about as non-partisan on tax matters as the Cato Institute and Grover Norquist). But even this liberal analysis does not support Krugman's lie. Krugman provides data that the total cost for extending the Bush 2001 tax cuts to the top one tenth of one percent of Americans, the 120,00o with the highest annual incomes, would be $360 billion over ten years. But this number is a combination of the result of extending not only the 2001 Bush cuts on income tax rates, but also for extending the 2003 tax cuts on capital gains and dividends. This is a common game for Krugman -- mix and match, and hope nobody notices. In his article, Krugman never mentions the 2003 tax cuts, but focuses exclusively on the income tax rates in the 2001 tax cuts.

The Tax Policy Center lays out these numbers for extending the Bush 2001 income tax rate cuts to the top two brackets -- $36 billion a year on average for ten years. But these brackets account for far more than the top 0.1% of earners, the group Krugman singles out. In fact the group in the 33% and 35% tax brackets impacted by the Obama proposal is 20 times as large -- over two million taxpayers (or as the President commonly states- 2% of all Americans). The Tax Policy Center analysis indicates that extending all the tax cuts from 2001 and 2003 would cost $3.7 trillion over ten years. Extending only the tax rate cuts from the 2001 Bush tax cuts would cost $1.57 trillion over ten years -- more than 77% of which, $1.21 billion, would be the cost for extending the 10%, 15% and 28% rates. The cost of extending the tax cuts for the two top brackets is $360 billion over that period, less than 25% of that total. Part of the $360 billion cost is attributable to the top 0.1% , the 120,000 highest earners. How much? It is not clear from the Tax Policy Center study. But let us assume, it is 50% of the total. Then the total cost of extending the 2001 tax cut to the top 0.1% of earners would be just over 10% of the total cost of extending all the tax cuts. So, if you take a group of 1,000 randomly selected Americans, there is no way that the highest earner in the group would get a majority of the total tax savings from that group.

The Tax Policy Center also estimates that the total cost of extending all the 2001 and 2003 cuts for all taxpayers would be $680 billion more than the cost of just following the Obama recommendations, and raising some of the rates. . In other words, Obama's proposals call for extending 82% of the $3.7 trillion in tax cuts from these years, at a cost of over $3 trillion to the Treasury. The Tax Policy Center estimates that the top 0.1% would receive an average of $310,00 a year in extra tax cuts over ten years if all 2001 and 2003 cuts were extended. Krugman summarizes this as 120,00 taxpayers receiving on average $3 million over ten years, or $360 billion in total. Again, it does not take a Nobel Prize winner to see that 360 billion is less than 10% of $3.7 trillion in total tax cuts. So, if one were more honest than Krugman, and looked at 1,000 randomly selected Americans and picked the highest earner, and looked at his total tax savings over the next ten years from extending all the 2001 and 2003 cuts, the highest income individual's share would be less than 10% of the total, hardly a majority of the group's tax savings.

I have no problem with the National Tax Center arguing that the cuts for the highest earners are wrong or unfair, or too much. At least they provide honest numbers to make their case. But why does Krugman feel the need to lie, and argue the share for his group is more than five times its real share of total tax savings?

A close look at the National Tax Center numbers show that the biggest costs by far from extending all the tax cuts are for retaining the lower rates for the lowest three tax brackets , and for Alternative Minimum Tax (AMT) relief. You won't find this in a Paul Krugman column.

Of course, other articles are needed to discuss the fact that lowering tax rates in 2001 was considered deficit expansion, but raising rates in 2011 is considered deficit neutral, or analyzing whether government spending or tax cuts does more to produce economic growth and create jobs. In the real world, any rise in tax rates is anti-stimulative. Krugman has argued for trillions more in stimulus spending (and an enormous increase in deficits and national debt) because the economy remains weak. So his push for raising some tax rates has nothing to do with his concern about deficits, or a concern with the state of the economy and economic growth. It can only be explained by the desire to spread wealth around -- to redistribute.

In any case, the New York Times need to answer for why it continues to allow a serial liar to fill its treasured space on the op ed page.

Richard Baehr is chief political correspondent of American Thinker.