

Digging out of the Ditch

Cut spending, allow more drilling, reduce regulation and don't raise taxes

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By [Jack Kelly](#), Pittsburgh Post-Gazette

Sen. John Kerry, D-Mass., chose to dock his new \$7 million yacht in Newport, R.I., instead of Nantucket, Mass., where he and wife Teresa Heinz have a summer home.

Could this have been to avoid \$500,000 in sales and excise taxes that Massachusetts imposes but Rhode Island does not?

A "clearly perturbed" Sen. Kerry was not eager to answer, wrote the Boston Herald reporter who covered him in Weymouth Monday. On Wednesday, Mr. Kerry paid the Massachusetts taxes, which forestalled an investigation into possible tax evasion.

Sen. Kerry is hardly the only Democrat in Washington whose eagerness to impose taxes on others is not matched by a willingness to pay them himself. Rep. Charles Rangel of New York became a millionaire during 40 years of public "service." The House Ethics Committee has charged him with multiple offenses, including failing to pay income tax on rental property he owned in the Dominican Republic.

Treasury Secretary Timothy Geithner, who didn't pay his Social Security and Medicare taxes when he worked for the International Monetary Fund, thinks the Bush income tax cuts for those earning \$250,000 a year or more should be allowed to expire at the end of the year.

In 2001 and 2003, President Bush proposed rate cuts for all income tax brackets. They speeded economic recovery after the bursting of the dot.com bubble and the 9/11 attacks. All are due to expire Dec. 31. If that happens, we'll experience the largest income tax rise in our history -- \$115 billion next year, \$2.6 trillion by 2020, according to the Congressional Budget Office.

Since nearly every reputable economist -- Keynesian or classical -- thinks raising taxes during a recession is a bad idea, this could have catastrophic consequences.

Democrats seem willing to extend the Bush tax cuts for all but the highest earners. Republicans say that at least until the recession is over, they should be extended for all income taxpayers.

The primary reason, Republicans say, is because most small businesses are not incorporated. Their owners pay taxes at the income tax rate. To raise that rate will hit them hard at a time when most already are suffering.

The Obama administration responds that raising the tax rate won't affect small businesses that are losing money. That's true. But it will force more small businesses into the red or closer to it and to lay off employees or to close their doors altogether.

Extending any of the Bush tax cuts involves eating a certain amount of crow on the part of Democrats, who've been railing against them for years. Now several prominent Democrats, among them the chairman of the Senate Budget Committee, agree that all the tax cuts should be extended until the economic emergency is past.

The Obama administration recently estimated that the budget deficit this year will be a whopping \$1.47 trillion. Unless spending is cut and more revenues found, catastrophe will ensue, the CBO has warned.

Popular programs will have to be trimmed if disaster is to be averted. And because the deficit is so huge, we must proceed with caution with tax cuts, a tried and true method of getting out of recessions past. So we must do all we can to spur economic activity and increase government revenues without increasing spending or taxes.

How can we do this?

The sale of oil and gas leases on federal land where drilling currently is prohibited could add \$1.7 trillion to the federal treasury by 2030, according to a study commissioned by the American Petroleum Institute. This also would create tens of thousands of well-paying jobs and reduce substantially our dependence on foreign oil and perhaps tame the price we pay for gasoline.

The federal government owns more than half the land west of the Mississippi River. Selling some of it and privatizing certain federal activities, such as the five electric power-marketing administrations, could raise several hundred billion dollars, according to the CATO Institute.

Federal regulations cost Americans \$1.16 trillion in 2007, a tenth of our total economic output that year, the Competitive Enterprise Institute estimated. Substantially reducing the regulatory burden would lower prices and make it easier for businesses to make a profit.

Our economy will heal itself ... if the government stops heaping burdens upon it.

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