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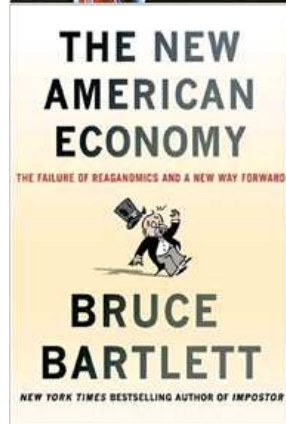
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ECONOMIC SCENE

Partisan Economics in Action

By DAVID LEONHARDT  
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WASHINGTON



Goodman/Van Ripper  
Bruce Bartlett, who worked for Presidents Ronald Reagan and George H. W. Bush, is releasing a new book next week.

Successful economic ideas usually end up being taken too far.

Democrats dominated the middle part of the 20th century, thanks in part to their vigorous response to [the Great Depression](#). They used the government to soften the effects of the Depression and to build the modern safety net.

But they failed to see the limits of the government's ability to manage the economy and helped usher in the stagflation of the 1970s.

[Ronald Reagan](#) then came to power promising to cut taxes and unleash the forces of the market. And the Democrats spent the next dozen years struggling to absorb the lessons of their failures.

More than a few people believe the [Republican Party](#) is in a similar place today.

When I asked [Dale Jorgenson](#), the eminent expert on productivity (and a Republican), what had been the positive aspects of President [George W. Bush's](#) economic policy, Mr. Jorgenson said, "I don't see any redeeming features, unfortunately." After Republicans opposed the [stimulus package](#) this year, The Financial Times, not exactly a liberal organ, [called](#) the party's ideology harebrained. When Olympia Snowe was recently explaining why she might be the only Republican senator to vote for health reform, she

[suggested](#) it was because her party had moved so far to the right.

But perhaps the most persistent — and thought-provoking — conservative critic of the party has been [Bruce Bartlett](#). Mr. Bartlett has worked for [Jack Kemp](#) and Presidents Reagan and [George H. W. Bush](#). He has been a fellow at the [Cato Institute](#) and the [Heritage Foundation](#). He wants the [estate tax](#) to be reduced, and he thinks that [President Obama](#) should not have taken on health reform or [climate change](#) this year.

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Above all, however, he thinks that the Republican Party no longer has a credible economic policy. It continues to advocate tax cuts even though the recent Bush tax cuts led to only mediocre economic growth and huge deficits. (Numbers from the [Congressional Budget Office show that](#) Mr. Bush's policies are responsible for far more of the projected deficits than Mr. Obama's.)

On the spending side, Republican leaders criticize Mr. Obama, yet offer no serious spending cuts of their own. Indeed, when the White House has proposed cuts — to parts of [Medicare](#), to an outdated fighter jet program and to subsidies for banks and agribusiness — most Republicans have opposed them.

How, Mr. Bartlett asks, is this conservative? How is it in keeping with a party that once prided itself on fiscal responsibility — the party of President [Dwight Eisenhower](#) (who [refused to cut taxes](#) because the budget wasn't balanced) or of the first President Bush (whose tax increase helped create the 1990s surpluses)?

"So much of what passes for conservatism today is just pure partisan opposition," Mr. Bartlett says. "It's not conservative at all."

He [became well known](#) several years ago for attacking the younger Mr. Bush, in a book called "Impostor." But Mr. Bartlett has turned out to be more interesting than most people who publicly break from their own party. In a series of [columns for Forbes](#) and in [a book](#) that comes out next week, "The New American Economy," he has started to describe a new conservatism. He is, in effect, laying intellectual groundwork for a Republican [Bill Clinton](#) — the politician who curbs his party's excesses.

You can argue that this sort of reassessment should not make conservatives feel insecure. In many ways, they have won. Mr. Obama, like Mr. Clinton, has proposed raising the [top marginal tax rate](#) to a level that's lower than it was for most of the Reagan administration. Most Democrats now acknowledge the central idea of [supply-side economics](#): tax rates matter.

The best parts of supply-side economics have been "completely integrated into mainstream economics," Mr. Bartlett writes. "What remains is a caricature — that there is no problem that more and bigger tax cuts won't solve."

His conservatism starts with the idea that high taxes are no longer the problem, even if complaining about them still makes for good politics. This year, federal taxes are on pace to equal just 15 percent of [gross domestic product](#). It is the [lowest share since 1950](#).

As the economy recovers, taxes will naturally return to about 18 percent of G.D.P., and Mr. Obama's proposed rate increase on the affluent would take the level closer to 20 percent. But some basic arithmetic — the Medicare budget, projected to soar in coming decades — suggests taxes need to rise further, and history suggests that's O.K.

For one thing, past tax increases have not choked off economic growth. The 1980s boom didn't immediately follow the 1981 Reagan tax cut; it [followed his 1982 tax increase](#) to reduce the deficit. The 1990s boom followed the 1993 Clinton tax increase. Tax rates matter, but they're nowhere near the main force affecting growth.

And taxes are supposed to rise as a country grows richer. This is [Wagner's Law](#), named for the 19th-century economist Adolf Wagner, who coined it. As societies become more affluent, people demand more services that governments tend to provide, like health care, education and a strong military. A century ago, federal taxes equaled just a few percent of G.D.P. The country wasn't better off than it is today.

Modern conservatism, Mr. Bartlett says, should therefore have two main economic principles. One, it should prevent government from getting *too* big. There is no better opportunity than health reform, given that the current bills [don't do nearly enough](#) to [slow](#)



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[spending growth](#). Instead of pushing the White House to do better, however, Congressional Republicans are [criticizing](#) any effort to slow spending as an attack on Grandma. They're evidently in favor of big Medicare, just not the taxes to pay for it.

The second goal should be to keep taxes from being increased in the wrong ways. Supply-side economics is based on the idea that higher tax rates discourage work and investment, two crucial ingredients for economic growth. But higher taxes on consumption don't have nearly the same effect as taxes on incomes or companies. If anything, consumption taxes encourage savings, which lifts investment.

So Mr. Bartlett advocates a value-added tax — a federal sales tax — which most other rich countries [have](#). Canada has a value-added tax that raises revenue equal to 2 percent of its G.D.P., and its economy [has grown faster](#) than this country's over the last decade. Britain raises 6 percent of its G.D.P. through such a tax and Sweden raises 9 percent, and their economies have grown as fast as the American economy.

I don't agree with everything Mr. Bartlett says, and you probably don't either. Maybe you don't like a national sales tax because you think it will inevitably hurt the poor. Maybe you have specific ideas for cutting hundreds of billions of dollars from the [federal budget](#) to keep taxes from rising much.

But you don't have to agree with all the specifics to see that he has a larger point. One of the country's two political parties has no answer to an enormous economic issue — the fact that the federal government cannot pay for its obligations. This lack of engagement is a problem, just as it was a problem when Democrats were saying that welfare was working, teachers' unions were always right and stagflation couldn't happen.

For now, there is little reason to think the Republicans are on the verge of a Clinton-like reform. But it is hard to see how they can ultimately stick to their current platform. At some point, the government will have to figure out how to pay for the baby boomers' retirement. "Trends that can't continue," as Mr. Bartlett says, "don't."

*E-mail: [leonhardt@nytimes.com](mailto:leonhardt@nytimes.com)*

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Guinea	100	1,000	10,000
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