Americans' tax burden is lightest in developed world

By David J. Lynch, USA TODAY

You'd never know it from all the cable news chatter, but Americans bear the lightest tax burden in the developed world.

Total U.S. tax revenues in 2008 equaled 26.9% of gross domestic product, according to provisional figures released Tuesday by the Organisation for Economic Co-operation and Development. That figure – which includes local, state and federal taxes, including Social Security – was lower than the 1990 ratio and far below levels across Europe. In Denmark, the total tax take exceeds 48% of the economy. In France, it tops 43%; Germany, 36%.

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To those on the right, who see Uncle Sam's comparatively light touch as a key to economic growth, the new numbers show what's at stake as the Obama White House battles the recession with generous doses of public funds. To others, the tax data from the 30-nation organization suggest the U.S. has room to raise taxes to pay for its unprecedented crisis-related borrowing.

"We're not an overtaxed country," says economist Dean Baker of the left-of-center Center for Economic and Policy Research.

Among all OECD members, the lowest 2008 ratios were recorded by South Korea (26.6%) and Turkey (23.5%).

In 2007, the last year for which complete data are available, the U.S. and Japan shared top billing as the least taxed developed countries.

The OECD data provide a sharp contrast to charges by conservatives such as Fox News' Glenn Beck, who says that the Obama administration is taking the country down "the road to socialism."

But Chris Edwards of the libertarian Cato Institute worries that the United States' comparatively low-tax profile – and its prospects for economic growth – are at risk. If government programs, including Social Security and Medicare, aren't trimmed, future tax increases could chill investment, he says. "I worry for the future of this country," Edwards adds.

The global recession has meant lower revenues from taxes on income, property sales and stock gains in most countries. Plus, many OECD countries cut taxes in the past year in hopes of jump-starting growth. Of 26 countries that reported provisional 2008 data to the OECD, 17 saw their tax-to-GDP ratios fall. And further recession-induced declines are expected when data for this year become available.

With trillion-dollar budget deficits forecast for several years and rising entitlement costs as Baby Boomers retire, many analysts say the U.S. tax take will rise.

"It's going to be politically painful. ... But our competitors are, for the most part, taxing themselves at higher rates," says Andrew Reschovsky, a professor of applied economics at the University of Wisconsin.