Let the Bush Tax Cuts Expire

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When George W. Bush first took office almost ten years ago, his presidency had not yet been defined by the fight against terrorism and the wars in Afghanistan and Iraq, which followed after Sept. 11. Bush, at least at first, did not intend to put foreign policy at the center of his administration. Instead, he had an agenda that was, to a great extent, dominated by domestic policy. Bush's economic agenda was framed in many different ways, but was not much more complicated than a desire to make his rich friends richer.

The primary way Bush achieved this goal was through tax cuts in 2001 and 2003. The former cut, which came in June of 2001, was one of the new president's first major accomplishments. The Bush tax cuts were the apex of the one-sided class warfare that has been at the heart of the Republican Party program for the last three decades. Cutting taxes for the richest Americans was another transparent and somewhat shameless attempt to shift the responsibility for paying for the activities of the federal government onto those for whom paying taxes represented a more concrete, rather than symbolic, burden.

These tax cuts are about to expire, meaning, among other things, marginal tax rates would go back up to 39% for the Americans in the highest income brackets. This would be slightly lower than tax rates for the wealthiest were at the end of Ronald Reagan's first term in office and still considerably lower than those paid by the highest earners in many other economically developed democratic countries.

The opposition to allowing these tax cuts to expire is already strong and, not surprisingly, many are asserting that the tax increases, which will occur when the Bush cuts expire, are another brick in President Obama's socialist wall. The notion that increasing the tax rate on the richest Americans by four or five percent means that the socialist floodgates have been opened is clearly nonsensical, as the rates would return to what was normal, or even less than normal, for most of the last half century. Moreover, Americans, particularly the wealthiest Americans, have almost always been taxed less than people at similar income level in other western countries.

Apologists for the Bush tax cuts would argue that this is because Americans rely on government less, and have smaller government than many countries in Europe. Although this is an appealing argument, it is not grounded in any empirical reality. This has been made evident by the debts accumulated during the Bush years when spending and the debt increased. Bush did not bring smaller government. He expanded the government, but refused to pay for it.

The fight over the expiration of these tax cuts, which is beginning to take shape, is something of a window into the state of American politics and the country more broadly. This is an issue that will have an economic impact and will once again be something of an indicator of the competence of the Obama administration. It will also, however, demonstrate whether our country is at all serious about righting the economy and the budget, or whether partisan fighting and a
fanatical opposition to paying taxes -- which is increasingly grounded in a reading of world politics and history that can best be described as fantasy -- will carry the day.

If the tax cuts are allowed to expire, it will bring a slight increase in revenue, but far from enough to make a dent in the massive deficits that exist today and began during the Bush years. However, raising the tax rate on the richest Americans to what they were a few decades ago will make it possible to begin to get the deficit under control because it will demonstrate that we are all in this together. Economically bankrupt ideas about supply-side economics notwithstanding, keeping tax cuts for the richest Americans in place will send a clear message that nobody in government is serious about cutting deficits.

Supporters of the Bush tax cuts may make up whatever stories they want about how these tax cuts are good for the economy, but the reality is different. These tax cuts are only good for the richest Americans. Other than the extremists who are overwhelmed by their hatred and fear of Obama and the potential for change he represents, everybody else understands this. If the message from Washington is that the richest Americans, who are among the small proportion of Americans not suffering in this recession, do not need to make any concessions or sacrifices for the good of the country, it will be very difficult to persuade anybody else that they need to make sacrifices. If the Obama administration lets this happen, they will be demonstrating that they are not up to the tasks of either standing up to Republican bullying or serious governance.