

Are the Democrats Really So Stupid?

By Robert S. McIntyre

The Democrats may be setting themselves up for a double knockout on the budget.

In late winter and early spring, Congressional Democrats tried to point out the tax inequities and budget flamboyance of the past decade. Senator Daniel Patrick Moynihan, Democrat of New York, started things off by exposing what he called "thievery" from the Social Security Trust Fund. The true size of the general operating deficit, Senator Moynihan noted, has been papered over by the use of Social Security funds to pay for the military and other spending.

Next, the Democrats released several reports detailing the enormous tax shift of the Reagan years. They showed how taxes have been slashed for the very rich and increased for almost everyone else — at an immense net cost to the Federal Treasury.

At long last it seemed that one political party was going to take a stand for average American families. But now you have to wonder.

A "summit meeting" on the budget is to begin tomorrow. Supposedly, everything will be on the table — even the tax increases that President Bush swore he would eschew. But accord-

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ing to "Republican strategists," what this really means is that Mr. Bush is ready to agree to "anything except higher income taxes."

Or, as Representative Newt Gingrich, Republican of Georgia, puts it: "There are taxes [income taxes on corporations and the rich] and there are revenues [taxes on middle- and low-income people]." The former are taboo for Republicans, Mr. Gingrich said; the latter may be acceptable.

In other words, a hike in the gasoline tax — which takes eight times as high a share of the income of the poorest 20 percent as of the top 1 percent of the population — is a tolerable "revenue enhancement." An increase in cigarette taxes, which would hit middle-income families 21 times as hard as the very rich, is also permitted. But raising the top income tax rate, which affects only the richest 1 percent of the population, is a verboten "tax" increase.

So here's the proposed deal. The President may give the Democrats a tax hike, as long as it falls primarily on ordinary families. In exchange, according to published reports, the Democrats will have to "discuss such politically sensitive items as paring Social Security."

Whoa! Are the Democrats really that stupid? Have they totally lost touch with the people they are supposed to represent? Are they so desperate for a tax increase that they don't care whose taxes go up?

Maybe. Not long after releasing a report on the Reagan tax shift, Repre-

sentative Dan Rostenkowski, Democrat of Illinois, outlined the specific ways he would attack the deficit. Amazingly, he called for cuts in Social Security benefits (which means diverting more Social Security payroll taxes to the general fund) and for higher taxes on middle- and low-income families (notably big increases in gasoline and other excise taxes).

The cognitive dissonance between the Democrats' statement of the problem and the Rostenkowski "solution" was overwhelming. And not surprisingly, the overall concept of the

Self-defeating budget negotiations.

Rostenkowski plan was favorably received at the White House.

Democrats need to reframe the argument before it's too late. The question is not whether the nation should reduce current consumption. It should. The question is, whose consumption should be reduced?

As the Democrats so cogently pointed out earlier this year, the deficit does not stem from too much spending on Social Security — which is running large surpluses. Nor does it stem from excessive outlays on

other domestic programs, which have declined by 25 percent as a share of the gross national product since 1980. And the deficit certainly does not come from lavish tax reductions for middle-income families and the poor. Nine out of ten families are paying higher taxes than they did before the so-called supply-side tax cuts.

The root cause of the Federal deficit is the huge tax breaks granted to the wealthiest Americans over the past decade and a half. Tax cuts enacted since 1978 for the richest 1 percent now cost the Treasury more than \$160 billion annually. This includes \$84 billion in tax reductions plus the interest on the almost \$1 trillion in debt incurred to pay for the cuts in previous years.

The White House and the Republicans understand that the rich won't make a serious contribution to deficit reduction unless income taxes are raised. That's why they oppose income tax hikes so strenuously.

In fact, the White House would be happy to trade higher taxes on most families to get its treasured capital gains tax reduction — which would give \$15,000 a year to the richest 1 percent of families, but a mere \$874 to the four out of five families making \$50,000 or less.

Will anyone stand up for the vast majority of us? Or will the Democrats acquiesce in a budget that continues to sacrifice our well-being and our children's to underwrite the consumption of the very rich? □