

The tax-cut zombies

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If you want someone to play Scrooge just before Christmas, Dick Cheney is your man. On Wednesday Mr. Cheney, acting as president of the Senate, cast the tie-breaking vote in favor of legislation that increases the fees charged to Medicaid recipients, lets states cut Medicaid benefits, reduces enforcement funds for child support, and more.

For all its cruelty, however, the legislation will make only a tiny dent in the budget deficit: the cuts total about \$8 billion a year, or one-third of 1 percent of total federal spending.

So ended 2005, the year that killed any remaining rationale for continuing tax cuts. But the hunger for tax cuts refuses to die.

Since the 1970's, conservatives have used two theories to justify cutting taxes. One theory, supply-side economics, has always been hokum for the yokels. Conservative insiders adopted the supply-siders as mascots because they were useful to the cause, but never took them seriously.

The insiders' theory – what we might call the true tax-cut theory – was memorably described by David Stockman, Ronald Reagan's budget director, as “starving the beast.” Proponents of this theory argue that conservatives should seek tax cuts not because they won't create budget deficits, but because they will. Starve-the-beasters believe that budget deficits will lead to spending cuts that will eventually achieve their true aim: shrinking the government's role back to what it was under Calvin Coolidge.

True to form, the insiders aren't buying the supply-siders' claim that a partial recovery in federal tax receipts from their plunge between 2000 and 2003 shows that all's well on the

fiscal front. (Revenue remains lower, and the federal budget deeper in deficit, than anyone expected a few years ago.) Instead, conservative heavyweights are using the budget deficit to call for cuts in key government programs.

For example, in 2001 Alan Greenspan urged Congress to cut taxes to avoid running an excessively large budget surplus. Now he issues dire warnings about “fiscal instability.” But rather than urging Congress to reverse the tax cuts he helped sell, he talks of the need to cut future Social Security and Medicare benefits.

Yet at this point starve-the-beast theory looks as silly as supply-side economics. Although a disciplined conservative movement has controlled Congress and the White House for five years – and presided over record deficits – public opposition has prevented any significant cuts in the big social-insurance programs that dominate domestic spending.

In fact, two years ago the Bush administration actually pushed through a major expansion in Medicare. True, the prescription drug bill clearly wasn't written by liberals. To a significant extent it's a giveaway to drug companies rather than a benefit for retirees. But all that corporate welfare makes the program more expensive, not less.

Conservative intellectuals had high hopes that this year President Bush would make up for this betrayal of their doctrine by dealing a death blow to Social Security as we know it. Indeed, he tried. His proposed “reform” would, over time, have essentially phased out the program. And he seemed to have everything going for him: momentum from an election victory, control of Congress and a

highly sympathetic punditocracy. Yet the drive for privatization quickly degenerated from a juggernaut into a farce.

Medicaid, whose recipients are less likely to vote than the average person getting Social Security or Medicare, is the softest target among major federal social-insurance programs. But even members of Congress, it seems, have consciences. (Well, some of them.) It took intense arm-twisting from the Republican leadership, and that tie-breaking vote by Mr. Cheney, to ram through even modest cuts in aid to the neediest.

In other words, the starve-the-beast theory – like missile defense – has been tested under the most favorable possible circumstances,

and failed. So there is no longer any coherent justification for further tax cuts.

Yet the cuts go on. In fact, even as Congressional leaders struggled to pass a tiny package of mean-spirited spending cuts, they pushed forward with a much larger package of tax cuts. The benefits of those cuts, as always, will go disproportionately to the wealthy.

Here's how I see it: Republicans have turned into tax-cut zombies. They can't remember why they originally wanted to cut taxes, they can't explain how they plan to make up for the lost revenue, and they don't care. Instead, they just keep shambling forward, always hungry for more.