BUSH'S DEPLORABLE FLIP-FLOP ON TAXES

If George Bush had pardoned Willie Horton, or burned Old Glory on the lawn of the White House, it would hardly have rivalled the flip-flop he has committed on taxes. Few political figures have identified themselves in an election with a particular principle or position to the degree that George Bush pledged himself to protect the American voter from higher taxes.

Even the President's rationale for breaking his pledge does not stand up to scrutiny. Notwithstanding Bush's statement that, "...the size of the deficit problem and the need for a package that can be enacted require...tax revenue increases...", there is no need for higher taxes. While the deficit is a problem, it is not a crisis, and it should be addressed through budget cuts. Moreover, there is little doubt that the big spenders in Congress have been fanning deficit hysteria as a ruse to push through a tax increase with the aim of spending the money on new programs, not to reduce the red ink.

Both the Congressional Budget Office and the Office of Management and Budget estimate that the 1991 budget deficit will total about $160 billion if current spending trends continue unabated. Such a deficit would equal approximately 2.7 percent of Gross National Product (GNP), the lowest level since 1981. If the deficit truly is about to cause the economy to collapse, as some in the Administration and Congress would like Americans to believe, it seems curious that the economy did not fall apart in 1985, when the deficit was 5.4 percent of GNP. If a deficit of 2.7 percent of GNP is a crisis, why did the economy grow in 1987, when the deficit equalled 3.4 percent of GNP?

Deficits are not the issue; the real problem is excessive government spending. By allowing its attention to focus on the deficit, the Administration is treating the symptom and not the disease. Unfortunately, it appears that an unwillingness to offend special interest groups, or risk reducing the President's high popularity ratings, has precluded any serious effort to control the growth rate of government spending.

Battle Lines. The battle over taxes, however, is not one that can be decided simply by "splitting the difference" between the two sides. It is a fundamental conflict between two visions for America's future. On one side is the bureaucracy, the Washington establishment, and the special interests who feed at the public trough. For these groups, taxes are the lifeblood upon which their health depends. Because the Gramm-Rudman Deficit Reduction Act has as least partially restricted how much money politicians can spend, the big spenders desperately need more tax revenue if they are to increase spending. On the other side are the workers, consumers, and businesses of America who produce the country's wealth. These are the people who elected George Bush to the Presidency, and expected George Bush to protect them from higher taxes.

Some Administration figures claim that circumstances have changed since the President promised "No new taxes." Yet they fail to identify any convincing reason why taxes should be increased. At least no Administration official has been foolish enough to argue publicly that taxes should be increased to boost the economy, since both economic theory and real-world evidence suggest just the opposite. As the 1980s richly demonstrate, lower taxes increase incentives and promote economic growth by raising the rewards of savings, working, investing, and producing. The 1970s showed just the opposite: higher taxes result in economic stagnation. And the argument that Congress will use new tax revenue to cut deficits, not increase spending? That demonstrates a remarkable naivete about the facts of life in Washington.

Real Worry. Tax collections, in any case, are climbing back to the levels of the late 1970s. Federal tax collections this year are expected to consume 19.6 percent of GNP, the fourth-highest level in peacetime history and within range of the all-time peacetime record of 20.1 percent, reached in 1969 and 1981. But surging revenues are a cause for alarm – and hardly indicate a need to boost taxes. The record-high tax years of 1969 and 1981 were followed not by good economic times, but by deep recessions.

George Bush said, "There's no quicker way to kill prosperity than to raise taxes.[1]" He was right. He said, "I've been in government a long time, and I've seen what happens when the government raises a dollar in revenues – Congress spends a dollar fifty.[2]" He was right. He said, "The surest way to kill the recovery is to raise taxes. That will stifle everything from investment and personal savings to consumer spending. It will clamp down on growth. It will invite a recession.[3]" He was right.

Thus the battle over taxes is a battle not only for the economy; it is a battle for the integrity and character of the Bush Presidency.

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1 Boston, MA, April 15, 1987.
2 Pittsburgh, PA, April 29, 1988.
3 Chicago, IL, September 13, 1988.