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Redo That Voodoo

By PAUL KRUGMAN

Republicans are feeling good about the midterms — so good that they’ve started saying what they really think. This week the party’s Senate leadership stopped pretending that it cares about deficits, stating explicitly that while we can’t afford to aid the unemployed or prevent mass layoffs of schoolteachers, cost is literally no object when it comes to tax cuts for the affluent.

And that’s one reason — there are others — why you should fear the consequences if the G.O.P. actually does as well in November as it hopes.

For a while, leading Republicans posed as stern foes of federal red ink. Two weeks ago, in the official G.O.P. response to President Obama’s weekly radio address, Senator Saxby Chambliss devoted his entire time to the evils of government debt, “one of the most dangerous threats confronting America today.” He went on, “At some point we have to say ‘enough is enough.’”

But this past Monday Jon Kyl of Arizona, the second-ranking Republican in the Senate, was asked the obvious question: if deficits are so worrisome, what about the budgetary cost of extending the Bush tax cuts for the wealthy, which the Obama administration wants to let expire but Republicans want to make permanent? What should replace \$650 billion or more in lost revenue over the next decade?

His answer was breathtaking: “You do need to offset the cost of increased spending. And that’s what

Republicans object to. But you should never have to offset the cost of a deliberate decision to reduce tax rates on Americans.” So \$30 billion in aid to the unemployed is unaffordable, but 20 times that much in tax cuts for the rich doesn’t count.

The next day, Mitch McConnell, the Senate minority leader, confirmed that Mr. Kyl was giving the official party line: “There’s no evidence whatsoever that the Bush tax cuts actually diminished revenue. They increased revenue, because of the vibrancy of these tax cuts in the economy. So I think what Senator Kyl was expressing was the view of virtually every Republican on that subject.”

Now there are many things one could call the Bush economy, an economy that, even before recession struck, was characterized by sluggish job growth and stagnant family incomes; “vibrant” isn’t one of them. But the real news here is the confirmation that Republicans remain committed to deep voodoo, the claim that cutting taxes actually increases revenues.

It’s not true, of course. Ronald Reagan said that his tax cuts would reduce deficits, then presided over a near-tripling of federal debt. When Bill Clinton raised taxes on top incomes, conservatives predicted economic disaster; what actually followed was an economic boom and a remarkable swing from budget deficit to surplus. Then the Bush tax cuts came along, helping turn that surplus into a persistent deficit, even before the crash.

But we’re talking about voodoo economics here, so perhaps it’s not surprising that belief in the magical powers of tax cuts is a zombie doctrine: no matter how many times you kill it with facts, it just keeps coming back. And despite repeated failure in practice, it is, more than ever, the official view of the G.O. P.

Why should this scare you? On paper, solving America’s long-run fiscal problems is eminently doable: stronger cost control for Medicare plus a moderate rise in taxes would get us most of the way there. And the perception that the deficit is manageable has helped keep U.S. borrowing costs low.

But if politicians who insist that the way to reduce deficits is to cut taxes, not raise them, start winning

elections again, how much faith can anyone have that we'll do what needs to be done? Yes, we can have a fiscal crisis. But if we do, it won't be because we've spent too much trying to create jobs and help the unemployed. It will be because investors have looked at our politics and concluded, with justification, that we've turned into a banana republic.

Of course, flirting with crisis is arguably part of the plan. There has always been a sense in which voodoo economics was a cover story for the real doctrine, which was "starve the beast": slash revenue with tax cuts, then demand spending cuts to close the resulting budget gap. The point is that starve the beast basically amounts to deliberately creating a fiscal crisis, in the belief that the crisis can be used to push through unpopular policies, like dismantling Social Security.

Anyway, we really should thank Senators Kyl and McConnell for their sudden outbursts of candor. They've now made it clear, in case anyone had doubts, that their previous posturing on the deficit was entirely hypocritical. If they really do have the kind of electoral win they're expecting, they won't try to reduce the deficit — they'll try to make it explode by demanding even more budget-busting tax cuts.



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