

**The New York Times** Reprints

This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your colleagues, clients or customers [here](#) or use the "Reprints" tool that appears next to any article. Visit [www.nytreprints.com](http://www.nytreprints.com) for samples and additional information. [Order a reprint of this article now.](#)



August 22, 2010

# Now That's Rich

By **PAUL KRUGMAN**

We need to pinch pennies these days. Don't you know we have a budget deficit? For months that has been the word from Republicans and conservative Democrats, who have rejected every suggestion that we do more to avoid deep cuts in public services and help the ailing economy.

But these same politicians are eager to cut checks averaging \$3 million each to the richest 120,000 people in the country.

What — you haven't heard about this proposal? Actually, you have: I'm talking about demands that we make all of the Bush tax cuts, not just those for the middle class, permanent.

Some background: Back in 2001, when the first set of Bush tax cuts was rammed through Congress, the legislation was written with a peculiar provision — namely, that the whole thing would expire, with tax rates reverting to 2000 levels, on the last day of 2010.

Why the cutoff date? In part, it was used to disguise the fiscal irresponsibility of the tax cuts: lopping off that last year reduced the headline cost of the cuts, because such costs are normally calculated over a 10-year period. It also allowed the Bush administration to pass the tax cuts using reconciliation — yes, the same procedure that Republicans denounced when it was used to enact health reform — while sidestepping rules designed to prevent the use of that procedure to increase long-run budget deficits.

Obviously, the idea was to go back at a later date and make those tax cuts permanent. But things didn't go according to plan. And now the witching hour is upon us.

So what's the choice now? The Obama administration wants to preserve those parts of the original tax cuts that mainly benefit the middle class — which is an expensive proposition in its own right — but to let those provisions benefiting only people with very high incomes expire on schedule. Republicans, with support from some conservative Democrats, want to keep the whole thing.

And there's a real chance that Republicans will get what they want. That's a demonstration, if anyone needed one, that our political culture has become not just dysfunctional but deeply corrupt.

What's at stake here? According to the nonpartisan [Tax Policy Center](#), making all of the Bush tax cuts permanent, as opposed to following the Obama proposal, would cost the federal government \$680 billion in revenue over the next 10 years. For the sake of comparison, it took months of hard negotiations to get Congressional approval for a mere \$26 billion in desperately needed aid to state and local governments.

And where would this \$680 billion go? Nearly all of it would go to the richest 1 percent of Americans, people with incomes of more than \$500,000 a year. But that's the least of it: the policy center's estimates say that the majority of the tax cuts would go to the richest one-tenth of 1 percent. Take a group of 1,000 randomly selected Americans, and pick the one with the highest income; he's going to get the majority of that group's tax break. And the average tax break for those lucky few — the poorest members of the group have annual incomes of more than \$2 million, and the average member makes more than \$7 million a year — would be \$3 million over the course of the next decade.

How can this kind of giveaway be justified at a time when politicians claim to care about budget deficits? Well, history is repeating itself. The original campaign for the Bush tax cuts relied on deception and dishonesty. In fact, my first suspicions that we were being misled into invading Iraq were based on the resemblance between the campaign for war and the campaign for tax cuts the previous year. And sure enough, that same trademark deception and dishonesty is being deployed on behalf of tax cuts for the wealthiest Americans.

So, for example, we're told that it's all about helping small business; but only a tiny fraction of small-business owners would receive any tax break at all. And how many small-business owners do you know making several million a year?

Or we're told that it's about helping the economy recover. But it's hard to think of a less cost-effective way to help the economy than giving money to people who already have plenty, and aren't likely to spend a windfall.

No, this has nothing to do with sound economic policy. Instead, as I said, it's about a dysfunctional and corrupt political culture, in which Congress won't take action to revive the economy, pleads poverty when it comes to protecting the jobs of schoolteachers and firefighters, but declares cost no object when it comes to sparing the already wealthy even the slightest financial inconvenience.

So far, the Obama administration is standing firm against this outrage. Let's hope that it prevails in its fight. Otherwise, it will be hard not to lose all faith in America's future.