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OP-ED COLUMNIST

## Now That's Rich

By [PAUL KRUGMAN](#)

Last weekend, Pastor Rick Warren asked both presidential candidates to define the income at which “you move from middle class to rich.” The context of the question was, of course, the difference in the candidates’ tax policies. Barack Obama wants to put tax rates on higher-income Americans more or less back to what they were under Bill Clinton; John McCain, who was against the Bush tax cuts before he was for them, says that means raising taxes on the middle class.

Mr. Obama answered the question seriously, defining middle class as meaning an income below \$150,000. Mr. McCain, at first, made it into a joke, saying “how about \$5 million?” Then he declared that it didn’t matter because he wouldn’t raise anyone’s taxes. That wasn’t just an evasion, it was a falsehood: Mr. McCain’s health care plan, by limiting the deductibility of employer-paid insurance premiums, would effectively raise taxes on a number of people.

The real problem, however, was with the question itself.

When we think about the middle class, we tend to think of Americans whose lives are decent but not luxurious: they have houses, cars and health insurance, but they still worry about making ends meet, especially when the time comes to send the kids to college.

Meanwhile, when we think about the rich, we tend to think about the handful of people who are really, really rich — people with servants, people with so much money that, like Mr. McCain, they don’t know how many houses they own. (Remember how Republicans jeered at John Kerry for being too rich?)

The trouble with Mr. Warren’s question was that it seemed to imply that everyone except the poor belongs to one of these two categories: either you’re clearly rich, or you’re an ordinary member of the middle class. And that’s just wrong.

In his entertaining book “Richistan,” Robert Frank of The Wall Street Journal declares that the rich aren’t just different from you and me, they live in a different, parallel country. But that country is divided into levels, and only the inhabitants of upper Richistan live like aristocrats; the inhabitants of middle Richistan lead ample but not gilded lives; and lower Richistanis live in McMansions, drive around in S.U.V.’s, and are likely to think of themselves as “affluent” rather than rich.

Even these arguably not-rich, however, live in a different financial universe from that inhabited by ordinary members of the middle class: they have lots of disposable income after paying for the essentials, and they don’t lose sleep over expenses, like insurance co-pays and tuition bills, that can seem daunting to many working American families.

Which brings us to the dispute about tax policy.

Mr. McCain wants to preserve almost all the Bush tax cuts, and add to them by cutting taxes on corporations. Mr. Obama wants to roll back the high-end Bush tax cuts — the cuts in tax rates on the top two income brackets and the cuts in tax rates on income from dividends and capital gains — and use some of that money to reduce taxes lower down the scale.

According to estimates prepared by the nonpartisan Tax Policy Center, those Obama tax increases would fall overwhelmingly on people with incomes of more than \$200,000 a year. Are such people rich? Well, maybe not: some of those Mr. Obama proposes taxing are only denizens of lower Richistan, although the really big tax increases would fall on upper Richistan. But one thing's for sure: Mr. Obama isn't planning to raise taxes on the middle class, by any reasonable definition — even that of the Bush administration.

O.K., the Bush administration hasn't actually offered a definition of "middle class." But in May, the Treasury Department — which used to do serious tax studies, but these days just churns out Bush administration propaganda — released a report purporting to show, by looking at the tax bills of four hypothetical families, how the middle and working class would be hurt if the Bush tax cuts aren't made permanent.

And when the Center on Budget and Policy Priorities looked at the report, it made an interesting catch. It turns out that Treasury's hypothetical families got all their gains from the so-called middle-class provisions of the Bush tax cuts: the Child Tax Credit, the reduced tax bracket for lower incomes and marriage penalty relief.

These all happen to be provisions that Mr. Obama proposes leaving in place. In other words, the Bush administration itself implicitly defines the middle class as consisting of people making too little to end up paying additional taxes under the Obama plan.

Of course, all the evidence in the world won't stop Republicans from claiming, as they always do, that Democrats are going to impose a crippling tax burden on ordinary hard-working Americans. But it just ain't so.

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