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OP-ED COLUMNIST

Let's Take a Hike

By PAUL KRUGMAN
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When I listen to current discussions of the federal budget, the message I hear sounds like this: We're in crisis! We must take drastic action immediately! And we must keep taxes low, if not actually cut them further!



Fred R. Conrad/The New York Times
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You have to wonder: If things are that serious, shouldn't we be raising taxes, not cutting them?

My description of the budget debate is in no way an exaggeration. Consider [the Ryan budget proposal](#), which all the Very Serious People assured us was courageous and important. That proposal begins by warning that "a major debt crisis is inevitable" unless we confront the deficit. It then calls, not for tax increases, but for tax cuts, with taxes on the wealthy falling to their lowest level since 1931.

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And because of those large tax cuts, the only way the Ryan proposal can even claim to reduce the deficit is through savage cuts in spending, mainly falling on the poor and vulnerable. (A realistic assessment suggests that the proposal would actually increase the deficit.)

President Obama's proposal is a lot better. At least it calls for raising taxes on high incomes back to Clinton-era levels. But it preserves the rest of the Bush tax cuts — cuts that were originally sold as a way to dispose of a large budget surplus. And, as a result, it still relies heavily on spending cuts, even as it falls short of actually balancing the budget.

So why isn't someone offering a proposal reflecting the reality that the Bush tax cuts were a huge mistake, and suggesting that increased revenue play a major role in deficit reduction? Actually, someone is — and I'll get to that in a moment. First, though, let's talk about the current state of American taxes.

From the tone of much budget discussion, you might think that we were groaning under crushing, unprecedented levels of taxation. The reality is that effective federal tax rates at every level of income have fallen significantly over the past 30 years, [especially at the top](#). And, over all, U.S. taxes are much lower as a percentage of national income than taxes in most other wealthy nations.

The point is that we aren't that heavily taxed, either by historical standards or in comparison with other nations. So if you're truly horrified by the budget deficit, why not

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propose tax increases as part of the solution?

Wait, there's more. The core of the Ryan proposal is a plan to privatize and defund Medicare. Yet this would do nothing to reduce the deficit over the next 10 years, which is why all the near-term deficit reduction comes from brutal reductions in aid to the needy and unspecified cuts in discretionary spending. Tax increases, by contrast, can be fast-acting remedies for red ink.

And that's why the only major budget proposal out there offering a plausible path to balancing the budget is the one that includes significant tax increases: [the "People's Budget" from the Congressional Progressive Caucus](#), which — unlike the Ryan plan, which was just right-wing orthodoxy with an added dose of magical thinking — is genuinely courageous because it calls for shared sacrifice.

True, it increases revenue partly by imposing substantially higher taxes on the wealthy, which is popular everywhere except inside the Beltway. But it also calls for a rise in the Social Security cap, significantly raising taxes on around 6 percent of workers. And, by rescinding many of the Bush tax cuts, not just those affecting top incomes, it would modestly raise taxes even on middle-income families.

All of this, combined with spending cuts mostly focused on defense, is projected to yield a balanced budget by 2021. And the proposal achieves this without dismantling the legacy of the New Deal, which gave us Social Security, and the Great Society, which gave us Medicare and Medicaid.

But if the progressive proposal has all these virtues, why isn't it getting anywhere near as much attention as the much less serious Ryan proposal? It's true that it has no chance of becoming law anytime soon. But that's equally true of the Ryan proposal.

The answer, I'm sorry to say, is the insincerity of many if not most self-proclaimed deficit hawks. To the extent that they care about the deficit at all, it takes second place to their desire to do precisely what the People's Budget avoids doing, namely, tear up our current social contract, turning the clock back 80 years under the guise of necessity. They don't want to be told that such a radical turn to the right is not, in fact, necessary.

But, it isn't, as the progressive budget proposal shows. We do need to bring the deficit down, although we aren't facing an immediate crisis. How we go about stemming the tide of red ink is, however, a choice — and by making tax increases part of the solution, we can avoid savaging the poor and undermining the security of the middle class.

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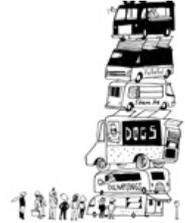
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