

*E. J. Dionne Jr.*

## ... And Compassion for the Rich

Does President Bush really want to wreck one of the genuine achievements of the last decade, an achievement for which his father no less than Bill Clinton deserves credit?

The achievement is the restoration of fiscal discipline to the federal government. It came at large political cost to both parties. The elder President Bush began the process of wiping out the deficit. He signed the 1990 budget deal that raised taxes and never recovered politically from failing to read his own lips. He got, at best, belated credit.

Congressional Democrats raised taxes again in approving Clinton's 1993 budget. They lost control of both houses in the 1994 elections.

So why should Washington embark on what Sen. Kent Conrad, a fiscally responsible North Dakota Democrat, calls a "feeding frenzy"? The danger is that every tax cut idea that has sat safely in somebody's drawer for years will be pulled out and written into law. If the president and Congress go down this road, they will prove every nasty thing that anyone has ever said about the irresponsibility of politicians. Is this the best way to begin the Responsibility Era?

Ah, but don't we have huge surpluses? Yes, but whether they stay big is another question. The surplus projections are flawed. They assume an ability to restrain spending that even a Republican-led Congress has not demonstrated, and they are unrealistic about government growth.

The president's plan, as outlined during the campaign, calls for enacting tax-cut provisions that take effect far into this decade. At the very least, why not pass a bill that limits the extent to which we mortgage the future? Yes, but we may be facing a recession. Don't we need a fiscal stimulus? There is a case for a stimulus. But big tax cuts for the most affluent taxpayers aren't the best way to prime the economy in the short term. Tax cuts for the middle class and the poor would do the job. Those taxpayers would spend the money and get the economy moving.

The best estimates of Bush's plan show the top 5 percent of taxpayers getting about half of the tax cuts. The top one percent get more than a third. Okay, but don't the wealthy pay the most taxes? Well, yes. But they have also made the greatest gains in the past decade.

According to the latest Internal Revenue Service data, analyzed by the Center on Budget and Policy Priorities, the top one percent of tax filers saw *after tax* incomes increase by 24.1 percent between 1989 and 1997, the last year for which numbers are available. On average, their incomes went up from \$417,000 a year to \$518,000. They may not like paying those (elder) Bush and Clinton tax increases, but they sure like the economy that followed.

And this president's plan doesn't touch the tax that takes the most money out of the paychecks of most Americans, the payroll tax. If this tax cut is really about stimulating the economy, replacing the income tax reductions with a temporary cut in the Social Security tax, aka FICA, could put a lot of money in the hands of the taxpayers who need it most, at a moment when they could use it.

Alternatively, the income tax cut could be limited to the bottom rate. Or, as my colleague David Broder recently suggested, Congress might consider a rebate to individual taxpayers each year, depending on how big the *real* surplus turned out to be.

It must be asked: Why is an administration that claims to feel so much compassion for the poor preparing to use so much of the surplus to shower money on the wealthiest Americans? This impending tax cut is class legislation.

And here is where Democrats must show some courage. They need to argue forcefully that a huge tax cut must be stopped not simply because it is fiscally irresponsible but also because there are better uses of the surplus. Bush proposes to postpone a broad prescription drug benefit under Medicare. But he wants the tax cut now. Why shouldn't it be the other way around? What is our national priority—to cut taxes for Americans earning more than \$500,000 a year or to provide health insurance for Americans earning less than \$50,000 a year?

This tax debate will be a test for Democrats and moderate Republicans. If Democrats cave in or join the bidding war, they might consider finding themselves another country. They will give up their one reason for being: to fight—at least once in a while—for social justice. Moderate Republicans always claim to be fiscal conservatives with social consciences. If they just fall into line behind an oversized tax cut, they'll fail on both counts.