




- [Summer Seminar Series Schedule . . . Mises.org Traffic Comparisons . . .](#)
- [Blog Subscriptions Now Available . . . Daily Subscriptions Pass 10,000 . . .](#)
- [Salerno's Introduction to Rothbard on American Banking: . . . Study Guide . . . Austrian School Catalog . . . Summer Sessions at the Mises Institute . . . Mises Economics Blog . . . Mises's Great Treatise on Method . . . Subscribe to Mises Daily . . . Become a Member . . .](#)


[Periodicals](#) ▪ [Daily Articles](#) ▪ [Events](#) ▪ [Resources](#) ▪ [Audio](#) ▪ [Membership](#)
[Home](#) [About](#) [E-mail Lists](#) [Catalog](#)  

Saturday, May 31, 2003

Is the Tax Cut for Real?

By James Ostrowski

May 29, 2003

Polls suggest that only 45 percent of the public backs the tax bill signed by President Bush, which means that a majority are against it, indifferent, or confused. Now, we can dismiss the idea that people don't want tax cuts. After all, if people wanted to pay taxes, we could just make them voluntary and be done with it. They are called taxes because people are being forced to pay for something they would otherwise not pay for. Asking people if they want a tax cut should be like asking if they want less mugging.



How, then, can we account for the polls that show limited support? Perhaps people have been conned one too many times by tax changes that always promise to lighten the load but somehow never do. Perhaps the trick is just a bit too transparent.

Still, the Republican power elite has to con the Republican rank and file once in a while. The rank and file wants smaller government and they actually believe the Republican Party intends to accomplish that goal. This is in spite of the fact that the Republicans have failed to accomplish this goal for seventy-five years and the Republicans got us on the road to big government in the first place in 1861.

How can I complain about a tax cut? Because what matters is not cutting "taxes" but cutting taxes. That is, what needs to be cut is not what we call "taxes" but the total amount of money that government takes out of the economy—the real tax rate. Basically, this is what government spends and legally commits to spending in the future.

Spending is based on what government "taxes" but also what government borrows and inflates. It's quite simple. If government spends it, we can't spend or save or invest, and that's bad. As Murray Rothbard explained, deficit spending leads either to inflation or to crowding out private capital investment. Either horn of the dilemma reduces wealth.

What is Bush's record on spending? As [Jeffrey Tucker](#) and [Lew Rockwell](#) have noted, it's awful. The Bush administration inherited a federal budget of \$1.86 trillion, and now proposes to spend \$2.3 trillion in 2004, for a whopping 23.6 percent increase in federal spending in this short period. The Bush presidency has far outspent Clinton's in every

Content
Market Update
Mises Blog
LewRockwell.com
Calendar
About Mises
About Rothbard
Fun
*
STUDENTS
Library
Working Papers
Study Guide
Conferences
Mises Classroom
Fellowships
ONLINE BOOKS
Human Action
Mises Books and Essays
Rothbard Books and Essays
Foundational Writings
More E-texts
Palm Books
JOURNALS

category. As Cato's [Chris Edwards](#) says, "[B]ased on his first three budgets, President Bush is the biggest spending president in decades." To close the gap between spending and revenue, [said a report commissioned by the US Treasury](#), would require an "immediate and permanent 66 percent across-the-board income tax increase."

Also, despite talk of deflation, your dollar has lost about four percent of its value under Bush. That means, for example, that if you had \$50,000 in the bank when he was elected, the feds managed to burn \$2,000 of it. Cancel that vacation. Just keep working like a jackass, the fate of those who allow their freedom to slip away without a peep of protest.

In addition to spending, we must analyze regulations to determine the trend under the Bush Administration. A regulation is essentially a tax on nonmonetary wealth such as time, liberty, energy, and property. Bush's regulatory record is mixed, but new regulatory initiatives have occurred on Bush's watch. Examples include an extremely burdensome scheme for regulating medical records, new banking regulations which destroy financial privacy, and new federal controls over local public schools.

There is yet another type of tax that must be considered—blowback. Yes, 9/11 was a kind of tax on the American people, the destruction of our lives and wealth by those who are unhappy with the federal government's numerous and obnoxious interventions into lands far, far away.

Then there is the risk of future blowback, a real economic cost and thus a form of taxation by blowback. We Americans now wear a target on our backs. Strange men at airports use that as an excuse to feel our private parts. Other strange men from strange lands would like to kill us to send a message to our federal Leviathan.

These terrorists apparently think the feds care about our lives or that we have some influence over the federal government. If they only knew. Years ago, I happened to be in D.C. and decided to drop in impromptu on my Senator, Al D'Amato, to discuss one of his awful votes. The lazy young staffers in the palatial suite thought it was the oddest thing. The look on their faces in reaction to my breaking up their little office party was like, should we call for a psychiatrist, or security or what?

Also, a few years ago, I attempted to contact the Senate Judiciary Committee to speak against the appointment of a political hack nominated to be the U.S. Attorney in Buffalo. Despite my best efforts, I was completely ignored. At least in a Stalinist country, I would have gotten a response.

As for the "caring" part, Americans were murdered on 9/11 because of the feds' insane foreign policy. Rather than change that foreign policy, the feds have intensified and reinforced the same errors that led to 9/11. Without using street language, how do you describe those who make a good living by fervently clinging to failed ideas that have killed thousands of people?

There are (bad) arguments for cutting taxes without cutting spending. First, they argue that creating huge deficits is the only way to rein in spending. We heard this Machiavellian strategy under Reagan in the Eighties. I guess it didn't work because the federal government has been growing steadily ever since. No major program or department, even the utterly useless, thoroughly corrupt, patently unconstitutional and extremely destructive Department of Housing and Urban Development (a.k.a., Dept. of Neighborhood Destruction and Political Corruption), has been eliminated.

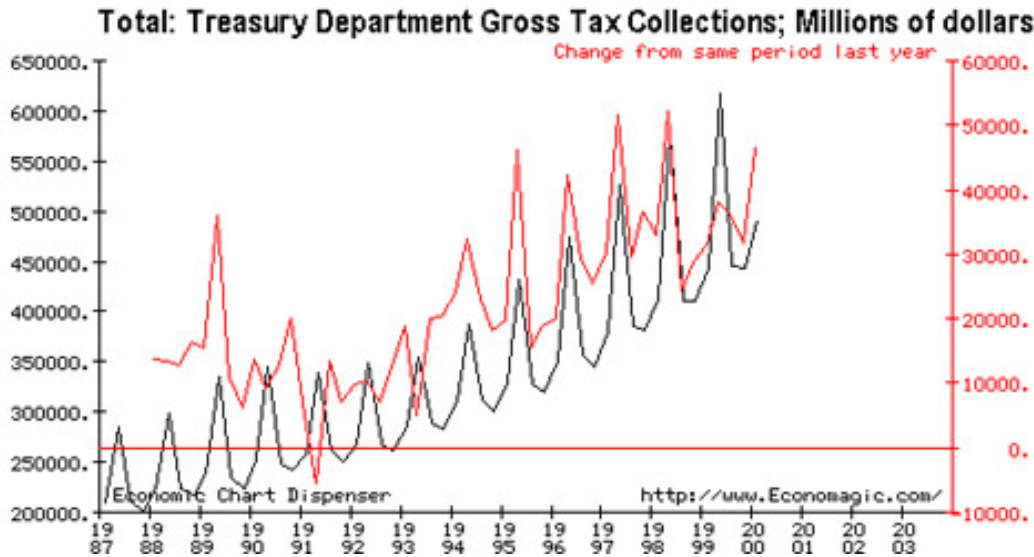
The reality is that spending creates constituencies which exert a powerful force for raising

[Quarterly Jrn of Austrian Economics](#)
[Journal of Libertarian Studies](#)
[Mises Review](#)
[Free Market](#)
[Austrian Economics Newsletter](#)
[Left & Right](#)
[Review of Austrian Economics](#)

MORE RESEARCH AIDS

[What's New](#)
[Mises Bib.](#)
[Rothbard Bib.](#)
[Austrian Bios](#)
[Films on Liberty](#)
[Faculty](#)
[Offsite](#)

taxes rather than cutting spending. That is why, according to [Bruce R. Bartlett](#), "there have been 15 major tax bills since 1980. Of these, 11 were tax increases. Ronald Reagan, the arch tax cutter, signed into law 6 of them, including the Tax Equity and Fiscal Responsibility Act of 1982, one of the largest tax increases in history." Nice try, but the only way to cut spending is to cut spending.



The other argument we can quickly dismiss. By cutting taxes, we can make the saps work harder and raise even more money for the welfare/warfare state. No thanks! If cutting the tax rate a few percent will increase the private sector's incentive to increase productivity, won't a *100 percent* salary cut create a powerful incentive for the political class to get real jobs and do real work?

Even on the specifics, this tax cut [is not what it is advertised to be](#). It addresses capital gains but not capital losses. The child tax credit is subject to strict income limitations on both the upside and downside. It doesn't change the dangerous [Alternative Minimum Tax](#), which will devour the middle class, given time. Many breaks in stealth taxes like the personal-exemption phaseout and the limitations on itemization aren't scheduled to take effect for several years. We won't know until later how many tax increases are snuck into the bill.

This much is clear from the total picture: this tax package is not about smaller government. It is about changing the way ever-bigger government is to be funded. It has already given rise to speculation that it is only the first of many steps toward a national consumption tax. And the terrible problem of the payroll tax, which now accounts for 37.8 percent of all federal receipts, isn't addressed at all, though it would be a good time to do so.

So, the evidence is in and a verdict can be delivered. Like every other Republican president since and including Hoover, George Bush has failed to reduce the size, scope, and power of the federal government. On the contrary, he has increased all three, making the federal government a much bigger nuisance than it was even under the administration of President Clinton.

James Ostrowski practices law in Buffalo, N.Y. See his Mises.org [Articles Archive](#) and send him [MAIL](#).

To subscribe or unsubscribe to Mises.org's **Daily Article**, enter your name and email address and click on the appropriate button.

Enter email:

Enter name:

[Subscribe](#) [Unsubscribe](#)

[Summer Seminar Series Schedule](#) . . . [Mises.org Traffic Comparisons](#) . . . [Blog Subscriptions Now Available](#) . . . [Daily Subscriptions Pass 10,000](#) . . . [Salerno's Introduction to Rothbard on American Banking](#): . . . [Study Guide](#) . . . [Austrian School Catalog](#) . . . [Summer Sessions at the Mises Institute](#) . . . [Mises Economics Blog](#) . . . [Mises's Great Treatise on Method](#) . . . [Subscribe to Mises Daily](#) . . . [Become a Member](#) . . .

[^ Top of Page](#)

Print Friendly Page

SEND THIS PAGE TO AN ASSOCIATE

TO:

(Enter the email address)

FROM:

(Enter your email address)



Ludwig von Mises Institute

518 West Magnolia Avenue
Auburn, Alabama 36832-4528

334.321.2100 · Phone
334.321.2119 · Fax

contact@mises.org

[Contact Us](#)

MISES.ORG MENU

Home	Study Guide
About	Working Papers
Email Lists	Mises
Search	Rothbard
Periodicals	Catalog
Articles	Shopping Basket
Resources	Donate
Audio	Coming Events
Fun	What's New

© 2003 Mises.org Database Programming, Site Design and Hosting by [Inter Web Data Concepts, LLC](#).