

Tax and Spend

Leonard E. Burman

Published: June 01, 2006

The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

[MARKETPLACE]

ANCHOR: The tax bills that Congress is pushing through are the latest move in what some experts say is a strategy of chipping away at taxes on saving and investment to boost the economy. Economist and commentator Len Burman says there's a better way to do that and not leave some of us behind.

LEN BURMAN: If they could, many conservatives wouldn't tax savings at all. They'd only tax spending.

They believe a tax on what you buy would discourage spending, boost saving, and help businesses to attract the capital they need to expand. That would boost economic growth.

Liberals are skeptical about the growth claims, and they really hate the idea of shifting more of the tax burden onto those who can't afford to save.

Liberals would do anything to stop a consumption tax.

But conservative rhetoric is also a barrier to tax reform.

Conservatives call legislators who propose new public programs "big government, tax-and-spend, liberals."

No one wants to be stuck with that label, so both liberals and conservatives mask spending programs as tax credits and deductions.

The politics might work, but the tax system doesn't.

Meanwhile, the social safety net is frayed and ineffective: the tax programs just don't fill the gaps.

Here's a radical notion. How about relying on the tax system to raise taxes and on spending programs to provide the social safety net?

Liberals would agree to replace the loophole-ridden income tax with a pro growth tax system.

Conservatives would agree to well-designed expansions of the social safety net: Say, universal health insurance, fully-funded housing vouchers, and more education loans.

That would offset the burden of a consumption tax on those of modest means.

I can almost hear the voice of Ronald Reagan saying, "There they go again."

But we're already spending billions on tax breaks that don't work.

Let's just call a spade a spade. Then we might get the social safety net that liberals have always wanted and the tax code that's the Holy Grail for pro-growth conservatives.

It sure couldn't be worse than the current system.

© Copyright Urban Institute, Brookings Institution, and individual authors. All rights reserved.

www.taxpolicycenter.org