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OP-ED COLUMNIST

## Red Ink Realities

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**E**ven conservatives are starting to admit that George Bush isn't serious when he claims to be doing something about the exploding budget deficit. At best — to borrow the already classic language of the State of the Union address — his administration is engaged in deficit reduction-related program activities.

But these admissions have been accompanied by an urban legend about what went wrong. According to cleverly misleading reports from the Heritage Foundation and other like-minded sources, the deficit is growing because Mr. Bush isn't sufficiently conservative: he's allowing runaway growth in domestic spending. This myth is intended to divert attention from the real culprit: sharply reduced tax collections, mainly from corporations and the wealthy.

Is domestic spending really exploding? Think about it: farm subsidies aside, which domestic programs have received lavish budget increases over the last three years? Education? Don't be silly: No Child Left Behind is rapidly turning into a sick joke.

In fact, many government agencies are severely underfinanced. For example, last month the head of the National Park Service's police admitted to reporters that her force faced serious budget and staff shortages, and was promptly suspended.

A recent study by the Center on Budget and Policy Priorities does the math. While overall government spending has risen rapidly since 2001, the great bulk of that increase can be attributed either to outlays on defense and homeland security, or to types of government spending, like unemployment insurance, that automatically rise when the economy is depressed.

Why, then, do we face the prospect of huge deficits as far as the eye can see? Part of the answer is the surge in defense and homeland security spending. The main reason for deficits, however, is that revenues have plunged. Federal tax receipts as a share of national income are now at their lowest level since 1950.

Of course, most people don't feel that their taxes have fallen sharply. And they're right: taxes that fall mainly on middle-income Americans, like the payroll tax, are still near historic highs. The decline in revenue has come almost entirely from taxes that are mostly paid by the richest 5 percent of families: the personal income tax and the corporate profits tax. These taxes combined now take a smaller share of national income than in any year since World War II.

This decline in tax collections from the wealthy is partly the result of the Bush tax cuts, which account for more than half of this year's projected deficit. But it also probably reflects an epidemic of tax

avoidance and evasion. Everyone who wants to understand what's happening to the tax system should read "Perfectly Legal," the new book by David Cay Johnston, The Times's tax reporter, who shows how ideologues have made America safe for wealthy people who don't feel like paying taxes.

I was particularly struck by Mr. Johnston's description of the carefully staged Senate Finance Committee hearings in 1997-1998. Senators Trent Lott and Frank Murkowski accused the I.R.S. of "Gestapo"-like tactics, and Congress passed new rules that severely restricted the I.R.S.'s ability to investigate suspected tax evaders. Only later, when the cameras were no longer rolling, did it become clear that the whole thing was a con. Most of the charges weren't true, and there was good reason to believe that the star witness, who dramatically described how I.R.S. agents had humiliated him, really was engaged in major-league tax evasion (he eventually paid \$23 million, insisting he had done no wrong).

And this was part of a larger con. What's playing out in America right now is the bait-and-switch strategy known on the right as "starve the beast." The ultimate goal is to slash government programs that help the poor and the middle class, and use the savings to cut taxes for the rich. But the public would never vote for that.

So the right has used deceptive salesmanship to undermine tax enforcement and push through upper-income tax cuts. And now that deficits have emerged, the right insists that they are the result of runaway spending, which must be curbed.

While this strategy has been remarkably successful so far, it also offers a big opportunity to the opposition. So here's a test for the Democratic contenders: details of your proposals aside, which of you can do the best job explaining the ongoing budget con to the American people?