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**Silly and Selective Arguments Against Tax Hikes**  
By LAWRENCE HAAS

Some things are as predictable as winter snow in Buffalo, and one of them is a column on the Wall Street Journal's editorial page about the evils of taxation whenever important people in Washington start talking about raising taxes.

In this case, the important people are the co-chairs of President Obama's fiscal commission, a task force of the Bipartisan Policy Center, and even some conservative Republicans on and off Capitol Hill – all of them grasping for a viable formula to address the nation's looming deficits and debt.

So, lo and behold, we open today's Journal to a column by the editorial page's senior economics writer, Stephen Moore, and Ohio University economics professor Richard Vedder rehashing the argument that tax increases don't reduce deficits but, instead, only produce higher spending.

Lest you're taken in by the breezy writing and superficial appeal of the argument, here are a few things to keep in mind.

First, Moore and Vedder claim that, "if history is any guide," tax increases will not go to deficit reduction because "Congress will simply spend the money."

Specifically, the authors claim they've updated earlier work by Vedder and his Ohio University colleague, Lowell Gallaway, from the late 1980s showing that "every new dollar of new taxes led to more than one dollar of new spending by Congress." For the full post-World War II period through 2009, Moore and Vedder claim that "each new dollar of new tax revenue was associated with \$1.17 of new spending."

Let's examine the claim. It's one thing to say, as the authors do early on, that Congress will "simply spend" the new taxes that come in, as if lawmakers will make an affirmative decision to do so. It's quite another to say, as they do later, that higher revenues are "associated with" even higher spending.

Yes, spending has grown and will continue growing faster than revenues, largely because soaring health care costs and the aging of the population are swelling the costs of Medicare, Medicaid and Social Security. Those programs, as the authors surely know, are "entitlements" that grow automatically by formula. Congress does not affirmatively vote to give away new tax revenues; the money gets eaten up by automatic spending.

Second, Moore and Vedder dismiss the boast of Erskine Bowles, a co-chair of the President's commission, that the plan from him and fellow co-chair Alan Simpson has \$3 of spending cuts for every \$1 of tax increase.

“Sound familiar?” the authors ask. “[President] Reagan used to complain that he waited his entire presidency for the \$3 of spending cuts that Congress promised for every dollar of new taxes he agreed to in 1982. The cuts never came.”

In fact, Reagan and Congress cut no such deal, as the leading Republican lawmakers of that time readily acknowledged (and as I have previously written on these pages). Former Republican Senator Bob Dole, then the Finance Committee chairman, dismissed the deal as “an agreement between the President and his speechwriters.” That Moore and Vedder continue to cite this imaginary deal does them no credit.

Third, Moore and Vedder praise a post-1994 Republican-controlled Congress for bringing the budget to balance by 1998 by cutting the rate of spending and, in this way, generating strong economic growth.

Actually, it was in 1993 that President Clinton and a Democrat-controlled Congress enacted a five-year, \$500 billion deficit reduction plan that, along with an economy that gathered steam shortly thereafter, put the deficit on a downward track – from \$290 billion in 1992 to \$255 billion in 1993, \$203 billion in 1994, \$164 billion in 1995, \$107 billion in 1996, \$22 billion in 1997, and, finally, a \$69 billion surplus in 1998.

Yes, as the authors note, spending continued to rise after tax increases in 1993 (as part of that deal) and, before that, in 1990 (as part of a similar deal between the first President Bush and a Democratic-run Congress). So, too, did spending rise after Republicans took control of Congress in 1994 – and, by the way, at about the same rate that it had risen in the immediate previous years of a Democratic Congress.

What brought the budget to balance were the landmark deficit-reduction deals of 1990 and 1993 – tax increases and all – and an economy that was already on track for growing stronger before Republicans won control of Congress in 1994.

“The grand bargain so many in Washington yearn for – tax increases coupled with spending cuts – is a fool’s errand,” Moore and Vedder write.

Quite the contrary, it’s the path to fiscal sanity, as it was during the previous period of sky-high deficits in the 1980s and early 1990s. Those who promote that formula for the next round of deficit cutting deserve better than the silly and selective arguments of Moore and Vedder that simply don’t withstand scrutiny.

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