



Democrats' Prosperity Problem

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Early in George W. Bush's presidency, liberal critics said: The economy is not growing. Which was true. He inherited the debris of the 1990s' irrational exuberances. A brief (eight months) and mild (the mildest since World War II) recession began in March 2001, before any of his policies were implemented. It ended in November 2001.

In 2002, when his tax cuts kicked in and the economy began 65 months -- so far -- of uninterrupted growth, critics said: But it is a "jobless recovery." When the unemployment rate steadily declined -- today it is 4.5 percent; time was, 6 percent was considered full employment -- critics said: Well, all right, the economy is growing and creating jobs and wealth, but the wealth is not being distributed in accordance with the

laws of God or Nature or liberalism or something.

Last Sunday, eight Democratic presidential candidates [debated](#) for two hours, saying about the economy . . . next to nothing. You must slog to Page 43 in the 51-page [transcript](#) before [Barack Obama](#) laments that "the burdens and benefits of this new global economy are not being spread evenly across the board" and promises to "institute some fairness in the system."

Well. When in the long human story have economic burdens and benefits been "spread evenly"? Does Obama think they should be, even though talents never are? What relationship of "fairness" does he envision between the value received by individuals and the value added by

them? Does he disagree -- if so, on what evidence? -- with Federal Reserve Chairman Ben Bernanke that "the influence of globalization on inequality has been moderate and almost surely less important than the effects of skill-biased technological change"?

What Samuel Johnson said of Milton's "Paradise Lost" can be said of the debate's short discussion of economic matters: No one could wish it longer. Granted, the candidates had bigger fish to fry -- one another, for their various positions on starting and ending the war. And the questioners set the debate's agenda. But if the Democrats had anything pithy to say about the economy, they would have said it.

They have a problem. How do you exclaim, as [Hillary Clinton](#) does, that today's economy is "like going back to the era of the robber barons" and insist that the nation urgently needs substantial tax increases, in the face of these facts:

In the 102 quarters since Ronald Reagan's tax cuts went into effect more than 25 years ago, there have been 96 quarters of growth. Since the Bush tax cuts and the current expansion began, the economy's growth has averaged 3 percent per quarter, and more than 8 million jobs have been created. The deficit as a percentage of gross domestic product is below the post-World War II average.

Democrats, economic hypochondriacs all, see economic sickness. They

should get on with legislating their cure.

Twenty-three months after the next president is inaugurated, the Bush tax cuts expire. The winner of the 2008 election and her or his congressional allies will determine what is done about the fact that, unless action is taken, in 2011 the economy will be walloped:

The five income tax brackets (10, 25, 28, 33 and 35 percent) will be increased 50, 12, 10.7, 9.1 and 13.1 percent, respectively, to 15, 28, 31, 36 and 39.6 percent. The child tax credit reverts to \$500 from \$1,000. The estate tax rate, which falls to zero in 2009, will snap back to a 60 percent maximum, and exemptions that have increased will decrease. The capital gains rate will rise, and the marriage penalty will be revived, as will the double taxation of dividends.

Furthermore, the alternative minimum tax was enacted by Democratic moralists in 1969 because 21 millionaires had legally avoided paying any income tax. The AMT, which allows almost no deductions, had one rate (24 percent) until 1993, when Democrats replaced it with two (26 percent and 28 percent). It has never been indexed for inflation and in the current tax year will hit almost one in five households -- 23 million of them.

Democrats need not confine themselves to their ritual tropes about how "the middle class is under assault" (Clinton again). They control Congress; they can act. The unem-

ployed [John Edwards](#), who has the luxury of irresponsibility, challenges Democrats to repeal the Bush tax cuts they disapprove of rather than wait for them to expire.

Democrats cannot end the war (actually, they can but won't), but they can send their tax agenda to the president and dare him to veto it. They can, but they won't. Do you wonder why?

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