

Bi-Partisan Idea #1

Michael Sean Winters | Nov. 4, 2010 Distinctly Catholic

You could hear the depression in President Obama's voice yesterday as he appeared alternately contrite and defensive at a press conference. It is far from clear that he is not still of a mind to think that if he had just done a better job explaining his policies, the election result would have been different. I do think the White House should have done a better job explaining its policies, but all the explaining in the world does not obscure the fact that the White House and Congress spent too much time on health care and other issues when the American people wanted them focused on the economy. Why did the White House and Congress spend so much time on "Don't Ask, Don't Tell" this year? To make sure they get the 3 percent of the electorate that is gay? The policy is obnoxious, to be sure, and it should be repealed, but it was clear by the first of the year that whenever the President opened his mouth, if he was not talking about jobs, he was talking about the wrong thing. The same goes for Obama's speech to the nation when combat troops left Iraq: Why give your first Oval Office address on something other than the economy?

As I discussed yesterday, now any action that would help the economy in the short term seems highly unlikely. The President signaled he was open to a compromise on extending the Bush tax cuts, which is politically necessary, but extending the tax cuts on the super-rich is unlikely to spur much economic growth. And, with less revenue, there is no doubt it will be harder to get Republicans to support sending money to the states to help pay for fire squads, EMT's, teachers and police. Although, with all those new GOP governors trying to balance their budgets, Republicans with presidential aspirations will, I suspect, see the benefit of federal aid to the states in a way they did not previously.

But, might there not be some long-term areas of bipartisan cooperation? After he was re-elected in 1984, and with Democrats controlling the House, President Ronald Reagan embarked upon a comprehensive revision of the tax code. The key player on the Republican side was Donald Regan who had served as Treasury Secretary in Reagan's first term and then became White House chief-of-staff in the second term. The Democratic side was led by Sen. Bill Bradley. Two years later, the bill was passed by Congress and signed by President Reagan. It vastly simplified the tax code, eliminated many passive tax shelters, lowered the highest income tax rates on individuals but raised it on corporations, closed many tax loopholes, and generally reduced what had become an enormously cumbersome tax code by more than half.

Now, as then, tax reform cuts across the usual partisan lines. It appeals to libertarian conservatives who think the market, not the tax code, should pick economic winners and losers. It appeals to good government progressives who worry about corporate welfare and who are more concerned with the corrosive effect of big business' influence on government. Tax reform does not immediately appeal to members of the House Ways and Means Committee, who make their living by getting favored tax treatment into the code for businesses in their districts, but I suspect Democrats in the minority would be disposed to join with principled Republicans on the panel to affect major changes of the kind we saw in 1986.

Of course, having criticized Obama for focusing on policies that are difficult to explain to the electorate, or extraneous to the main issue of jobs, why embrace something as obscure and opaque as tax laws? Because, in

the event, President George W. Bush selected a bipartisan panel to address the issue and they issued a report on tax reform in November of 2005. My economic guru tells me there are some really good policy prescriptions in the report. (You can find it [here](#) [1] in PDF.) It went nowhere in 2005 but if one of the messages the voters sent on Tuesday was that they want Democrats and Republicans working together, I think Obama might get high marks for dusting off this report and sending it to Congress. Praise the bi-partisan panel. Praise his predecessor. If the details are opaque, the symbolism is not, and the panel has already done much of the heavy policy lifting so this might not be, like a health care, a 16-month congressional debate.

I have long argued that a modified flat tax, with progressive rates, but only those deductions that are essentially available to everyone ? home mortgage interest, charitable giving, etc. ? is an inherently liberal idea. Special tax status is usually achieved by means of special political access and corporations and rich folk are more likely to have such access than you or me. In the Clinton years, targeted tax cuts were used to promote specific policies, and while the idea had a DLC-flavored spin to it, progressive and pro-growth at the same time, the approach gummed up the tax code. Human nature being what it is, the Ways and Means Committee, no matter which party is in control, will start adding new and special advantages almost as soon as the ink is dry on major reform legislation. But, the idea has merit on the merits, it makes political sense, and it would be the kind of bi-partisan effort the voters clearly want but which has proved elusive so far.

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[1] http://govinfo.library.unt.edu/taxreformpanel/final-report/TaxPanel_1_11-1.pdf