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September 25, 2012: Tax Cuts Are Not a Policy

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Title: Tax Cuts Are Not a Policy

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9/25/2012—A friend gave me a copy of the Weekly, formerly the Weekly Standard, I guess. It is a magazine of the right. Its economic proposal is tax cuts. And the housing collapse was entirely caused by government housing policy. It had nothing to do with falsely rated mortgage backed securities or greed on Wall Street. No regulation of the banks is necessary. For the moment consider just the tax cuts. Permanent tax cuts are not actually a policy. Taxes are just the bill for spending. Tax cuts do not pay for themselves. If they did, why not just have a tax rate of 1%? The thinking behind this magazine knows this. Either the tax cuts are to be temporary or they are just a backdoor way to eventually slow the growth of government by cynically increasing the deficit. Of course, if they are temporary, that is the current Obama Administration policy, in the form of the current cut in the payroll tax. That is what we are doing now. It is not working very well. And it is undermining social security, which Governor Romney now speaks of means testing. Thanks anyway. Social security works. There is a reason that the right cannot mention payroll tax cuts. They do not disproportionately benefit the wealthy, for whom they are not significant. Although I have never heard this talked about, the idea must be that only income and corporate tax stimulate creative economic activity because these cuts benefit the job creators. But at the moment, the country is awash in money for corporations and the wealthy. The problem is demand. But I have never seen the payroll cut discussed by Paul Krugman either. We are already following his policy proposal to stimulate demand and it is not working very well either. Are our fundamental economic problems something else?