

AN AUSPICIOUSLY TIMED REPUBLICAN MELTDOWN

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The Republican party is in a bit of a meltdown in response to the leak of Mitt's comments about the 47% of the country he disdains. Some—mostly the pundits not facing voters in November—are embracing his claim that Democrats are moochers (ignoring that a lot of the seniors, poorer service members, and Red State working poor are actually Republican voters). Others—especially those on the ballot in November—are attacking Mitt for being such a cad.

I'm most fascinated by the Weekly Standard's John McCormack's attack on Mitt's purported misunderstanding of conservatism.

The same kind of person who says,
“Forty-seven percent of Americans pay no income tax. So our message of low taxes doesn't connect.... So my job is not to worry about those people. I'll never convince them that they should take personal responsibility and care for their lives.”

These appear to be the words of somebody who doesn't understand American conservatism and its relationship to the American idea. Conservatives don't believe in economic determinism. Conservatives know—and explain why—their economic policies will help the poor, as well as senior citizens, working families, and our troops who pay no income taxes. Conservatives realize that the Republican party is not the party of people who want to be rich, it's the party of people who want to be free.

[snip]

But in an interview this afternoon, he conceded yet again that his tax policies won't appeal to half the country. "I'm talking about a perspective of individuals who I'm not likely to get to support me," Romney told Neil Cavuto on Fox News. "I recognize that those people who are not paying income tax are going to say, gosh, this provision that Mitt keeps talking about, lowering income taxes, that's not going to be real attractive to them."

The strange thing is that Romney's tax plan isn't actually aimed at lowering taxes. It's a revenue neutral plan that is designed to spur growth—and create jobs—by lowering rates and reducing or eliminating tax loopholes. Maybe it's a hard plan to sell, but I've watched Paul Ryan persuasively make the case to skeptical constituents that tax reform would grow the economy and create a fairer tax code.

McCormack takes Romney to task for saying out loud the poor won't benefit from "tax reform" and blathers about how "freedom" will "spur growth." He takes Mitt to task because he's not as convincing as Ryan when he claims cutting taxes further will benefit everyone.

The meltdown is so delicious because Republicans don't seem to know whether to abandon the myth that has driven the Republican Party for the last 50 years or not.

And because the Congressional Research Service just came out with analysis that it is, in fact, a myth.

Income tax rates have been at the center of recent policy debates over taxes. Some policymakers have argued that raising tax rates, especially on higher income taxpayers, to increase tax revenues is part of the solution for

long-term debt reduction.

[snip]

Other recent budget and deficit reduction proposals would reduce tax rates.

[snip]

Advocates of lower tax rates argue that reduced rates would increase economic growth, increase saving and investment, and boost productivity (increase the economic pie). Proponents of higher tax rates argue that higher tax revenues are necessary for debt reduction, that tax rates on the rich are too low (i.e., they violate the Buffett rule), and that higher tax rates on the rich would moderate increasing income inequality (change how the economic pie is distributed). This report attempts to clarify whether or not there is an association between the tax rates of the highest income taxpayers and economic growth.

[snip]

Throughout the late-1940s and 1950s, the top marginal tax rate was typically above 90%; today it is 35%.

Additionally, the top capital gains tax rate was 25% in the 1950s and 1960s, 35% in the 1970s; today it is 15%. The real GDP growth rate averaged 4.2% and real per capita GDP increased annually by 2.4% in the 1950s. In the 2000s, the average real GDP growth rate was 1.7% and real per capita GDP increased annually by less than 1%. There is not conclusive evidence, however, to substantiate a clear relationship between the 65-year steady reduction in the top tax rates and economic growth.

Analysis of such data suggests the reduction in the top tax rates have had little association with saving,

investment, or productivity growth.
However, the top tax rate reductions
appear to be associated with the
increasing concentration of income at
the top of the income distribution. [my
emphasis]

Thus, at precisely the moment when Republicans are beating up on Mitt for suggesting—even if inadvertently—that the poor have no self-interest in his tax cuts for the rich, the non-partisan CRS comes out and shows that, in fact, they do not (and have not, for two generations).

It remains to be seen whether any political entity will push this point home (indeed, one of the tax cut plans that CRS says would lead to more inequality is the President's own Catfood Commission plan).

But Republicans don't appear to know how to respond to Mitt speaking the truth, admitting that the poor have no interest in seeing rich people like him get further tax cuts, and speaking the truth in such a snotty disdain.