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OP-ED COLUMNIST

Maestro of Chutzpah

By PAUL KRUGMAN

The traditional definition of chutzpah says it's when you murder your parents, then plead for clemency because you're an orphan. Alan Greenspan has chutzpah.

Last week Mr. Greenspan warned of the dangers posed by budget deficits. But even though the main cause of deficits is plunging revenue — the federal government's tax take is now at its lowest level as a share of the economy since 1950 — he opposes any effort to restore recent revenue losses. Instead, he supports the Bush administration's plan to make its tax cuts permanent, and calls for cuts in Social Security benefits.

Yet three years ago Mr. Greenspan urged Congress to cut taxes, warning that otherwise the federal government would run excessive surpluses. He assured Congress that those tax cuts would not endanger future Social Security benefits. And last year he declined to stand in the way of another round of deficit-creating tax cuts.

But wait — it gets worse.

You see, although the rest of the government is running huge deficits — and never did run much of a surplus — the Social Security system is currently taking in much more money than it spends. Thanks to those surpluses, the program is fully financed at least through 2042. The cost of securing the program's future for many decades after that would be modest — a small fraction of the revenue that will be lost if the Bush tax cuts are made permanent.

And the reason Social Security is in fairly good shape is that during the 1980's the Greenspan commission persuaded Congress to increase the payroll tax, which supports the program.

The payroll tax is regressive: it falls much more heavily on middle- and lower-income families than it does on the rich. In fact, according to Congressional Budget Office estimates, families near the middle of the income distribution pay almost twice as much in payroll taxes as in income taxes. Yet people were willing to accept a regressive tax increase to sustain Social Security.

Now the joke's on them. Mr. Greenspan pushed through an increase in taxes on working Americans, generating a Social Security surplus. Then he used that surplus to argue for tax cuts that deliver very little relief to most people, but are worth a lot to those making more than \$300,000 a year. And now that those tax cuts have contributed to a soaring deficit, he wants to cut Social Security benefits.

The point, of course, is that if anyone had tried to sell this package honestly — "Let's raise taxes and cut benefits for working families so we can give big tax cuts to the rich!" — voters would have been outraged. So the class warriors of the right engaged in bait-and-switch.

There are three lessons in this tale.

First, "starving the beast" is no longer a hypothetical scenario — it's happening as we speak. For decades, conservatives have sought tax cuts, not because they're affordable, but because they aren't. Tax cuts lead to budget deficits, and deficits offer an excuse to squeeze government spending.

Second, squeezing spending doesn't mean cutting back on wasteful programs nobody wants. Social Security and Medicare are the targets because that's where the money is. We might add that ideologues on the right have never given up on their hope of doing away with Social Security altogether. If Mr. Bush wins in November, we can be sure that they will move forward on privatization — the creation of personal retirement accounts. These will be sold as a way to "save" Social Security (from a nonexistent crisis), but will, in fact, undermine its finances. And that, of course, is the point.

Finally, the right-wing corruption of our government system — the partisan takeover of institutions that are supposed to be nonpolitical — continues, and even extends to the Federal Reserve.

The Bush White House has made it clear that it will destroy the careers of scientists, budget experts, intelligence operatives and even military officers who don't toe the line. But Mr. Greenspan should have been immune to such pressures, and he should have understood that the peculiarity of his position — as an unelected official who wields immense power — carries with it an obligation to stand above the fray. By using his office to promote a partisan agenda, he has betrayed his institution, and the nation.

