

## THE TAXONOMIST

**Seeking to Set the Squawkers Straight**

By Robert S. McIntyre

**“W**e here at Squawk Box have been campaigning for politicians to ‘give back their pork’ to help pay for hurricane Katrina and Rita. Our next guest offers up another possibility. He says we should consider following the path of President Lyndon Johnson. In 1968, LBJ enacted a one-year 10-percent income tax surcharge to help pay for the cost of Vietnam, a *colossal* example of bad timing. Joining us now live from Washington, Robert McIntyre, director of the Citizens for Tax Justice. Robert, good morning. . . . Ahhhhhh, you know you’re not going to get a lot of people to say, ‘yeah, I want more taxes.’”

Uh-oh, I thought, as I stared at the TV camera in CNBC’s studio in Washington, D.C. in early October, and listened to the unseen hosts of “Squawk Box” speak to me from New York. This feels like a setup.

For one thing, I hadn’t proposed a temporary income tax surcharge. On the contrary, I think that we need permanent tax increases, mostly on under-taxed rich people and tax-avoiding corporations—although I suppose a surtax would be better than nothing. That’s exactly what I’d told CNBC’s producer, when she called me a few days before the show and brought up *someone else’s* proposal for a hurricane-related LBJ-style surtax. She invited me to come on Squawk Box not to defend that idea, but to discuss it.

For another thing, why was LBJ’s surtax (which actually lasted for two years, not one) “a colossal example of bad timing”? After all, it was enacted to cool off a seriously overheated economy, and succeeded both at that and in producing the last balanced federal budget until the late 1990s.

But mostly, I thought, gee, I hadn’t realized that CNBC’s talk shows had turned as far to the right as the rest of cable talk.

With no time for further meditation, I figured I might as well make the best of a weird situation. So I went into my rap. “Well, you know, the choice is you either pay for this or you send the bill to our children.”

Squawk Box’s retort was swift and cruel: “Slam dunk! Send the bill to the kids!”

I soldiered on. “Ah! Well, that may be your view, but

mine is that we should ask the people who can afford to pay for it to chip in . . . . A perfect plan might be closing the loopholes that allow some of our big companies to pay no taxes, going after the tax cheats and things like that. But if you can’t get that through the Congress, then a 10-percent income-tax surcharge says, look, if you’re paying \$50 in income tax, you’ll have to pay \$5. If you’re paying \$1,000, you’ll pay \$100. And if you’re paying \$100,000 in income tax, which means you’re very wealthy, you’ll pay \$10,000. Now what’s wrong with that?”

**S**quawk Box tried another tack—maybe *cutting* taxes would be the way to pay for hurricane relief: “Mr. McIntyre, it’s hard to . . . say that if the government raises taxes, it’ll be spent properly. Why are you opposed to creating economic-free zones like some people have proposed, where people pay no taxes . . . as opposed to slapping on this tax?”

I pointed out an obvious flaw in this approach: “Well, those reduce the government’s revenues, add to the budget deficit and make the bills for our children even bigger. You know, we’ve been trying this trickle-down, supply-side thing under President Bush for five years, and what we’ve got are deficits, counting what we owe Social Security, in excess of \$500 billion every year. And we can’t keep doing that. . . . Unless you think we can run the government entirely with Chinese money forever.”

But, countered Squawk Box, maybe deficits simply aren’t anything to worry about: “I would just remember that the deficits were much worse as a percentage of GDP in the eighties, and eventually we had a balanced budget. Right?”

I noted that he’d left out a little history: “We had a balanced budget because Bill Clinton and the Congress cut spending and raised taxes.” And then, to my total surprise, Squawk Box replied, “Right. Why couldn’t we do that again?”

Oh my goodness, I thought. Have I actually persuaded these guys that 2 plus 2 equals 4? I savored the moment, however fleeting.

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