

## Why Conservatives Should Resist Tax Hikes, Even on the Rich

*Even if higher taxes on the wealthy are good optics, they only enable unchecked growth of government spending.*

Tax policy has long divided the American left and right. Today, a deeper divide is forming within the conservative movement itself. For the past several decades, the mere mention of the words “tax cuts” has been met with jubilant enthusiasm by the Republican establishment, while being anathema to Democrats of most stripes. However, there are elements within the Republican Party itself that appear to have an appetite for tax hikes on wealthy Americans. Interestingly, and perhaps unexpectedly, the Trump administration was flirting with the idea of allowing income tax rates to increase on those making more than \$2.5 million per year from 37 percent to 39.5 percent. Rep. Dan Meuser, a republican congressman from Pennsylvania, remarked that this would help prioritize working-class Americans. Steve Bannon endorsed the idea as a means of attracting working-class voters to the party. Additionally, Rep. Nick LaLota, a republican congressman from New York, also backed Trump’s tax proposal, saying that it “breathes \$300 billion of new life into the effort” to pass Trump’s One Big Beautiful Bill.

One motivation behind this proposal was to increase government revenues to help finance expenditures on big-ticket items like Medicare and Social Security. While one might expect this idea to be met with a generally positive reception among Democrats, it is surprising that a contingent of conservatives is also applauding the tax hikes. Many arguments are made for and against tax cuts, especially tax cuts for “the rich.” In response to traditional conservative endorsements of tax cuts, those on the left balk at the proposition and dismiss it as regressive, often framing the issue as fallacious “trickle-down economics.”

Democrats are quick to suggest that the tax cuts on the rich won’t trickle down and that this merely increases the tax burden on the middle class and the poor. The typical line advanced from conservative circles is that cuts to tax *rates* lead to behavioral changes in how people arrange their financial affairs and that they induce individuals to move capital out of tax shelters and put it to work in the economy, where it can be taxed. Conservatives often mention that this has had a historical track record of increasing tax revenue. They point to the Coolidge, Kennedy, Reagan, and George W. Bush administrations as evidence for this. In addition, conservatives further bolster the case for tax cuts by appealing to their ability to catalyze economic growth.

There is substantial disagreement among economists on this point, and various studies have emerged with conflicting findings. Some find that tax reforms that broaden the tax base, while also reducing marginal tax rates, can be conducive to economic growth as it enhances the allocation of resources across the economy. Other studies find no significant relationship between economic growth and tax cuts. However, irrespective of the cogency of the conservative

argument that this will lead to behavioral changes and, furthermore, enhanced growth, it misses the bigger picture.

In 2003, Milton Friedman published a piece in the Wall Street Journal titled “What Every American Wants,” where he explained that the real thrust behind the impetus to cut taxes was to force down government spending. He poses the question: “How can we ever cut government down to size?” To which he provides the following answer: “I believe there is one and only one way: the way parents control spendthrift children—cutting their allowance. For government, that means cutting taxes.”

The basic argument laid out in this short piece is that, even if tax hikes achieve their intended end of shrinking the budget deficit, the government will take this as an opportunity to spend more money and thus increase the deficit back to its maximally “tolerable” level. This begets a never-ending cycle of increased deficits and increased taxes to close those deficits, which then leads the government to raise spending and restore deficits to their threshold of tolerability, further increasing government intrusion in the economy. The way to restrain this upward fiscal spiral is to coerce the government to rein in its spending by slashing its revenue stream.

Whether or not conservatives agree that the rich should pay more in taxes or whether increasing taxes on the rich will be politically expedient, one thing we should all be able to agree upon is that the federal government has grown to an unacceptable stature in our society and needs to be cut down to size. It has far too large an influence over our economy and is the primary source of many of our economic woes, including the exorbitant prices of healthcare and college education. Conservatives aligned on this issue should view the current administration’s flirtation with tax hikes with wariness that this will simply further enable and perpetuate government bloat, with no end in sight.