

**January 4, 2009**

**EDITORIAL**

## **Recession, Taxes and Mr. Obama**

A year into the recession, millions of Americans have already lost their jobs, their incomes and their homes. Millions more are having their peace of mind tested daily by the certainty of harder times to come. Yet as the recession deepens, one small group could actually catch a break: the richest Americans, who are likely to see a proposed tax increase postponed.

During the campaign, President-elect Barack Obama pledged to raise taxes, starting in 2009, on roughly the top 5 percent of American households, generally defined as those making more than \$250,000 a year. The objective was to restore fairness and raise revenue by undoing Bush-era tax cuts that overwhelmingly benefited the rich while worsening the budget deficit.

The Obama team has not officially ditched that plan. But it is sounding increasingly reluctant to move soon. A delay is supported by the conventional wisdom that raising any taxes during a downturn is wrong.

That argument starts with the correct premise that a stalled economy needs all the juice it can get, hence the need for the roughly \$800 billion recovery package to spur consumption and create jobs, taking shape in Congress and championed by Mr. Obama. But not all tax increases are damaging in a recession. An increase could help if it raised more in revenue than it subtracted in consumption and if that revenue was used for stimulus.

That sounds like the very definition of a tax increase for the richest Americans. The wealthy are unlikely to slow their consumption much if their income tax rates return — as Mr. Obama has proposed — to their pre-Bush levels (an increase from rates of 33 and 35 percent to 36 and 39.6 percent).

We know that higher taxes are never an easy sell politically — and would be especially difficult now, when Mr. Obama needs support from Republicans in Congress to quickly pass his recovery package.

We also acknowledge that a tax increase on the rich, though feasible, could backfire in these tense times. Because it is hard to explain and easy to demagogue, it could foster a confusing debate that might impair confidence just when confidence needs to be revived.

But even if he skips the income tax increase this year, Mr. Obama must press for increases in coming years. The fight for tax fairness — and for the practice of paying for government services rather than borrowing or printing money — must be a goal in itself, rather than becoming a perennial bargaining chip.

To that end, Mr. Obama should move forward in 2009 to close loopholes and make other long overdue changes in tax law. As promised during the campaign, he should push to alter the outmoded provision that has allowed private equity partners to pay about the lowest rate in the tax code on most of their multimillion-dollar earnings. He should also push for freezing the tax on multimillion-dollar estates at current levels, rather than letting the tax expire as scheduled in 2010.

Stimulus spending is front and center now, but over all, the nation needs far more tax revenue, generated more progressively. Mr. Obama needs to establish himself from the start as a proponent of fair and adequate taxation —

just as he promised during the campaign.

Copyright 2009 The New York Times Company

[Privacy Policy](#) | [Search](#) | [Corrections](#) | [RSS](#) | [First Look](#) | [Help](#) | [Contact Us](#) | [Work for Us](#) | [Site Map](#)

---