



The Daily Dish

# The 2018 Tax Reform Fight

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## *Eakinomics: The 2018 Tax Reform Fight*

It is now clear that the Tax Cuts and Jobs Act (TCJA) will frame the politics of choosing the policy agenda for 2018 and beyond. The attacks by progressives are also already clear; they will argue that TCJA is the source of budget deficits and rising debt. This is nonsense. Prior to its passage, the Congressional Budget Office (CBO) was already projecting \$10.1 trillion in deficits over the next decade, an amount equal to 23.5 percent of all the revenue (\$43 trillion) that it projected the federal government would collect. Taken at (static, no economic growth) face value, TCJA reduced revenues by \$1.5 trillion, or 3.5 percent of the projected total. That is hardly the cause of budget deficits (although there is still a good case that tax reform should have been revenue neutral).

One reason for progressives to push this indefensible claim is to bait conservatives into arguing that entitlement spending is the problem (which is true) and that one has to cut entitlements in order to control deficits and debt. Entitlement reform to please the green-eyeshades caucus (i.e., me) simply does not resonate with the average American. A better case for entitlement reform is that the programs themselves serve their beneficiaries poorly. In the absence of reform, Social Security promises to cut retirees' benefits 25 percent across the board in just under 20 years. That's unacceptable. Medicare, Medicaid and the Affordable Care Act have not bent the cost curve down and do not consistently deliver high-value health care. The U.S. social safety net should perform better than that. The right case for entitlement reform is that the programs themselves need to be improved, and their financial sustainability is an important goal in the process.

The other main line of attack will focus on fairness; specifically that TCJA is unfairly tilted to the fat cat rich and corporations and will be responsible for dangerous inequality. This argument has two main weaknesses. The first is that it has never been a particular good political selling point. Recall that President Obama [called](#) inequality "the defining challenge of our time," only to quickly put the inequality agenda on the back burner. The achilles heel of the left's obsession with inequality is that it has never been able to articulate what constitutes the right, just amount or type of inequality and what does not. Nothing will change on that front. The other problem is that Americans will quickly see larger paychecks, leaving the left arguing for a hypothetical wrong versus cash in hand. That is a hard argument to win. If the economy accelerates further, conservatives will be able to [make the case](#) that TCJA is (at least in part) responsible.

There will be lots of policy skirmishes in the near future — funding the government, spending caps, immigration, border security, etc. — but the fundamental battles over the size of government, the path to fiscal responsibility, and economic stewardship of the nation will have TCJA at their center.