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Borrow as You Go

Guess who gets to pay for the alternative minimum tax patch.

ALAN GREENSPAN, the former chairman of the Federal Reserve board, isn't given to one-word, declarative answers. So Mr. Greenspan's reply to a question Sunday from ABC's George Stephanopoulos is worth noting — and, for that matter, worth heeding, though the chances of that are unfortunately infinitesimal. The subject was taxes, and Mr. Greenspan was making the point, as ignored as it is obvious, that in the current budgetary environment any tax cuts should be paid for with offsetting tax increases or spending cuts.

Mr. Stephanopoulos asked whether the Greenspan admonition applied to Congress's imminent plan to spend $50 billion to "patch" the alternative minimum tax for an additional year.

Mr. Stephanopoulos: "So when the Congress this week . . . fixes this patch in the alternative minimum tax . . . and doesn't pay for the increase in the deficit, that is something you're against?"

Mr. Greenspan: "Yes."

Congressional Democrats have tried, repeatedly, to fix the AMT Mr. Greenspan's way. They proposed paying the cost by closing the "carried interest" loophole that lets private equity and hedge fund managers pay lower, capital gains rates on their earnings. Republicans wouldn't accept that. Now House Democrats have offered to cover the cost in part by cracking down on hedge fund managers who shelter their income offshore to avoid taxes. That, too, lacks the necessary 60 votes in the Senate, and, by week's end, lawmakers will have applied another costly, unpaid-for patch.

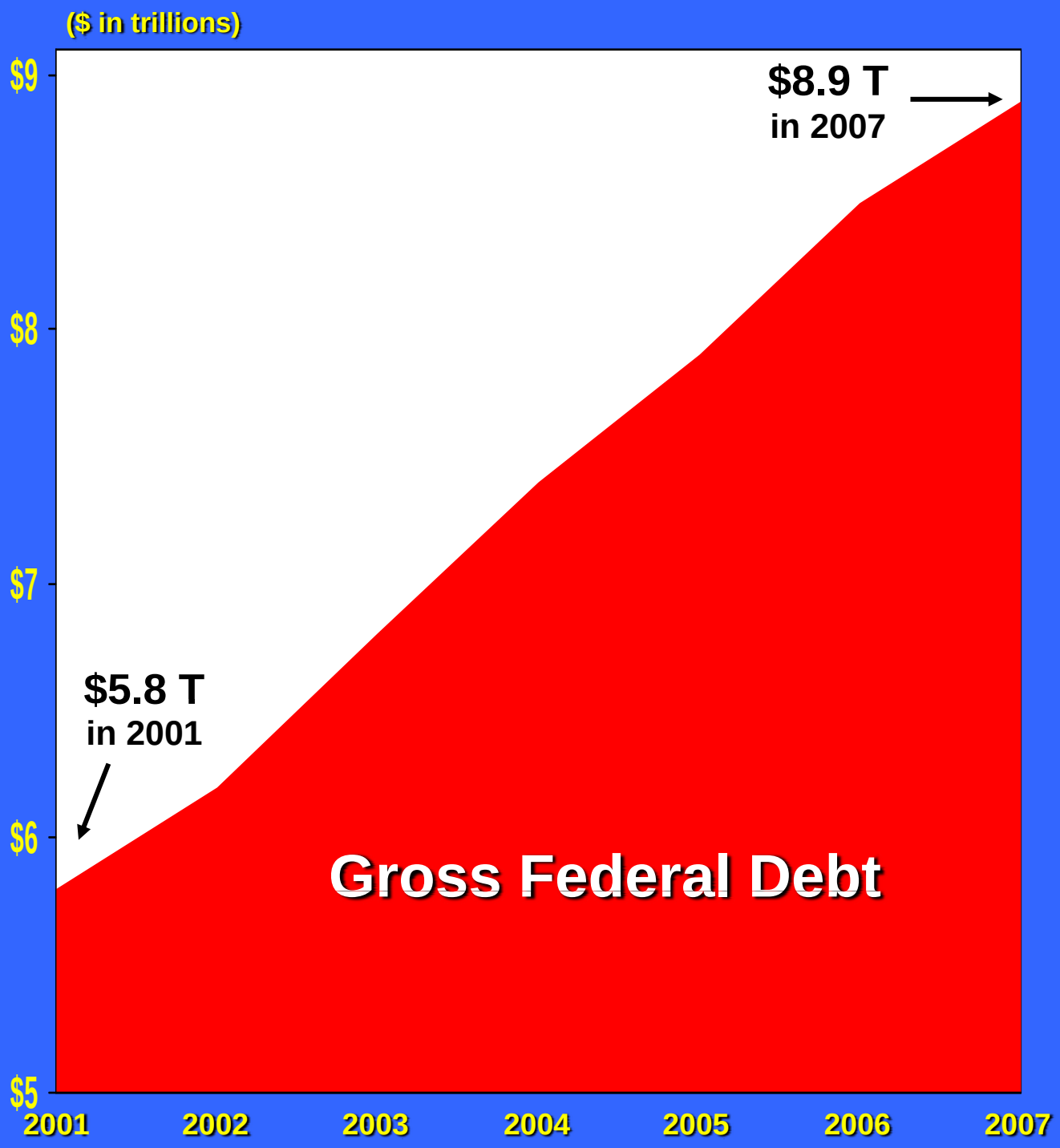
Republicans have made such a fetish of avoiding tax increases, no matter whose taxes are being increased, no matter for what purpose, that they have lost all sight of the kind of fiscal discipline that Mr. Greenspan urges.

"The Administration is extremely disappointed that the House of Representatives continues to demand large tax increases as the price for protecting 25 million taxpayers from an unintended, unexpected, and unwelcome tax increase averaging $2,000," the White House said in its policy statement opposing the latest House proposal.

Large tax increases? Unexpected? In 2001, the administration was happy to count on money from the AMT to mask the true cost of its unaffordable tax cuts; even then, the price would have been too high for lawmakers to swallow without including the revenue. Now, seeking to shield taxpayers from that entirely anticipated hit, the administration has the gall to accuse Democrats who simply want to avoid adding to the debt of wanting "large tax increases."

For their part, Democrats are so scared of being blamed for letting the AMT hit millions of taxpayers that they're unwilling to stand up against this irresponsible intransigence. So a group of relatively well-off taxpayers will avoid a tax hike that everyone understood was coming when they received a tax cut six years ago. And their grandchildren can foot the bill.

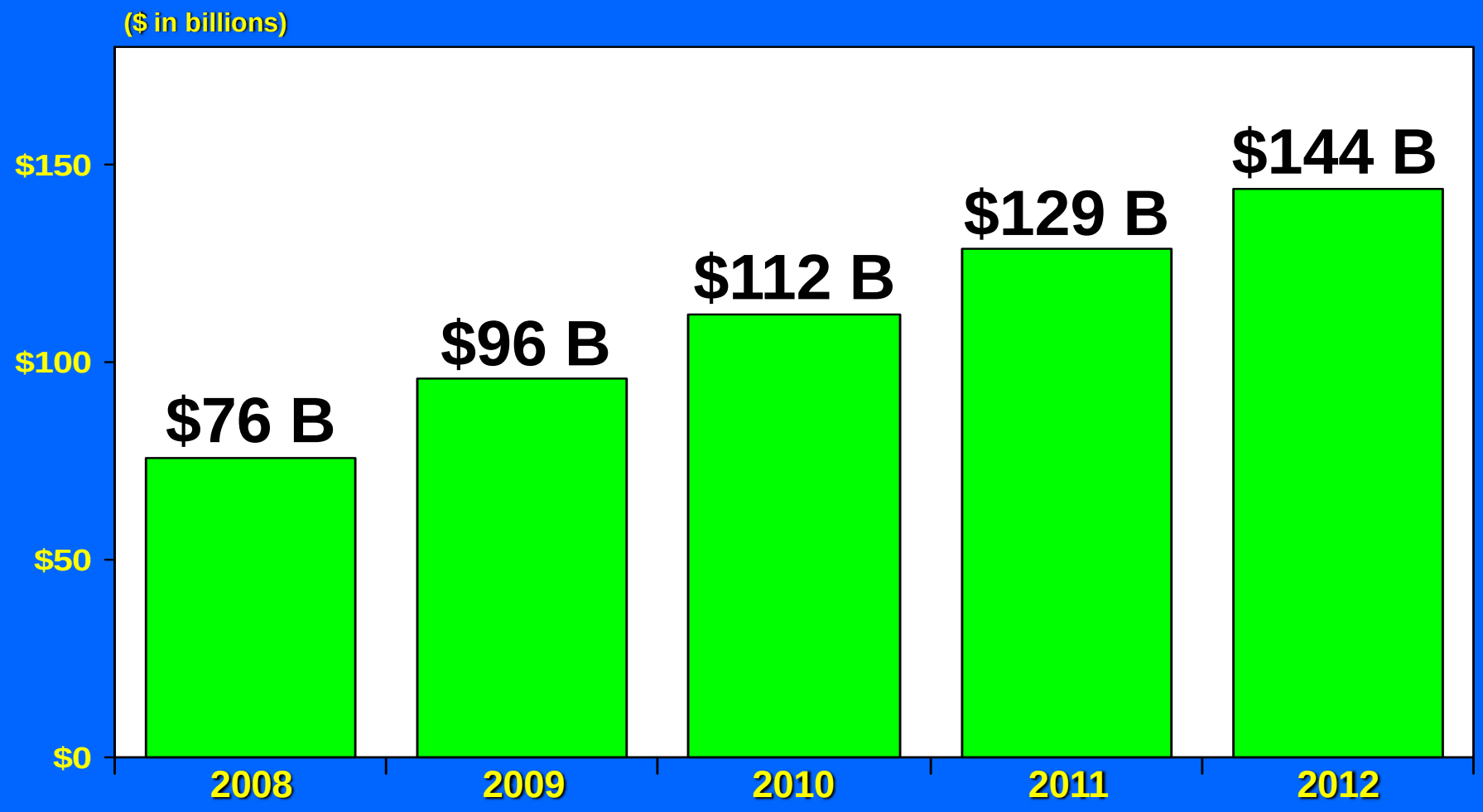
Federal Debt Soars Under Bush Administration



Source: OMB, CBO

AMT Revenues Assumed in Bush Budget

FY 2008 - 2012



Source: JCT, SBC

Note: Numbers exclude debt service. 2008 number includes adjustment for one-year AMT patch assumed in President's budget.