PS1 for 1/5/89 # George Bush is Right About Taxes

The pro-tax lobby and big media have been engaged since the election in a massive campaign to convince the American people (a) that George Bush's solemn anti-tax pledge was a phony and (b) that tax increases are essential and inevitable in order to reduce the deficit. The assumption is that federal spending cannot be controlled, so American citizens must be bled for more taxes.

But every penny of federal spending is voted by the Congress, so it's Congress' job to cut spending. If there ever was a clear election mandate, it is for George "read my lips" Bush to veto any tax increase voted by Congress.

History tells us that raising taxes absolutely does NOT and will NOT reduce the deficit! On the contrary, raising taxes will most probably increase the deficit!

In 1982, 1983, 1984 and 1987, Congress voted tax increases, promising that this would reduce the deficit. Every tax increase slowed economic growth, and three out of four of those tax increases produced an increase in the deficit the following year because, when more revenues become available, the liberal Congress has an irresistible urge to vote for bigger spending bills.

A recent study showed that since 1948 every dollar of new taxes resulted in $1.58 in increased spending! A tax increase simply enables the big spenders to finance their extravagant wish list.

Some economists believe that every dollar of higher income taxes reduces economic activity by as much as 60 cents. Again and again, we have seen tax increases put economic growth on the skids, reduce investment and consumer demand, and increase business costs, thereby increasing prices.

Of course, deficits are bad but, on the scale of economic problems, deficits rank well behind high unemployment, high inflation, high interest rates, high taxes, and lack of economic growth. High-tax countries have less economic growth and less creation of new jobs. A tax increase would not only slow U.S. jobs creation and economic growth, but might trigger a recession.

Anybody who thinks the Federal Government is short of revenues must not have looked at the figures. During the eight years of the Reagan Administration, federal revenues rose almost 90 percent, from $517 billion in 1980 to $980 billion in FY 1989.

The Congressional Budget office predicts that, even if taxes are not increased by one thin dime, tax revenues will rise by about $74 billion revenue increase that will occur in each of the next two years even without a tax increase would reduce our current $150 billion deficit to zero.

If Congress caps total spending, it can reorder priorities under that cap any way it chooses. Or, Congress could take deficit reduction a little slower and allow spending increases of, say, $37 billion a year for four years.

We would hear a lot of moaning and groaning about how hurtful spending cuts are. In fact, there have been and will be NO spending cuts at all – only imaginary "cuts" in the spending growth.

Those who want the Federal Government to spend $73 billion more next year complain that we will suffer a $36 billion spending “cut” if Congress is allowed to increase spending by “only” $37 billion. If Congress spends more in 1990 than in 1989, that is a spending increase, NOT a cut.

In 1989, the federal deficit is only 2.9% of our Gross National Product (GNP). The deficit percentage has dropped dramatically since 1983 when it was 6.3% of GNP. The Congressional Budget office estimates that the deficit will shrink to only 1.8% of GNP by 1993 and the Office of Management and Budget anticipates that it may drop to only one-half of 1% of GNP by 1993.

Since the Reagan recovery got underway in 1982, 18 million new jobs have been created in the private sector. This is the reason why $60 billion per year in new revenues have been flooding into the U.S. Treasury.

The situation would be a lot better if Congress hadn’t passed 14 separate tax increases since 1982, thereby increasing the tax bite taken out of the average family’s paycheck to about what it was before the last recession. The high tax level is a much bigger threat to our economy than the deficit.