from Phyllis Schlafly

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Good News for Taxpayers

Congress is feeling the lash of public resentment, and it's about time. The American people have had enough of the Imperial Incumbency, the various money and sex scandals ranging from the resignation of Jim Wright to the Barney Frank escapades to the shenanigans of the Keating Five, the middle-of-the-night pay raise, the friendly bank that allowed congressmen to overdraw their accounts without penalty, and the fallout from the Clarence Thomas soap opera.

Some smart Congressmen have figured out a way for the battered institution to recoup its reputation: cut taxes. Indeed, there is nothing Congress can do that would more expeditiously get itself back in the good graces of the American people.

The tax cut proposals are coming from both sides of the aisle. Republicans used to have a monopoly on the idea of tax cuts, but last year's budget summit fuzzied up the distinction between the two parties, and now Democrats, too, are riding the tax cut wave.

When the tax cut fever started, Rep. Frank Wolf (R-VA) already had an excellent plan waiting. His bill would increase the $2rL5O personal exemption to $3,500 for children l8 years old and younger, and wou1d also provide an additional $500 tax credit for children under five years o1d in families earning less than $50,000 a year. This tax cut could be paid for by simply capping the rate of growth in domestic spending at 6 to 6-1/2 percent a year.

Senator Lloyd Bentsen (D-TX) has come forth with a bill to provide a $300 tax credit for each child, and to stimulate savings by expanding eligibility for Individual Retirement Accounts (IRAs). The $72 billion cost of this plan could be paid for by savings in the defense budget made possible by the collapse of the Soviet Union

Because Bentsen is chairman of the Senate Finance Committee, his leadership significantly increases the chance of a tax cut being adopted. His proposal is important also because he has adopted the view that any defense peace dividend

should go directly to the American taxpayers in tax cuts rather than to fund additional domestic spending.

Bentsen's bill would give a tax cut to the middle class which they need and have been demanding. When asked if the $3OO credit would be “refundable” for those whose income is too 1ow to pay any taxes, Bentsen properly replied that those families received their refundable credit last year with the huge expansion of the Earned Income Tax Credit (EITC), and now is the time to be fair to those who do pay taxes.

Most of the other plans are too complicated for the public to grab onto. Some of the liberal proposals (such as the one by Rep. Thomas Downey (D-NY)) are just appeals to envy, and pit one class of people against another by claiming to reduce taxes on the “middle class” and raise taxes on the “rich.”

A few voices are saying that the peace dividend should be used to reduce the deficit instead of taxes. Alice Rivlin of the Brookings Institution, thinks that “Deficit reduction is much more important.”

But a lot of people bought that line a year &9or and we were cheated. The so-called “deficit reduction package" turned out to be a record tax increase and a record increase in domestic spending, and it resulted in prolonged recession and an increased (not decreased) deficit that now approaches an all-time high of $350 billion.

The second line of attack of those opposed to a tax cut is that “we can't break the budget agreement of last year.” But the budget agreement was a bad deal for everyone.

The third line of attack on tax cuts is illustrated by the Wall Street Journal’s “good news, bad news” front-page headline: “Tax Cut Fever Strikes Washington, and Some Fear Risks to Economy.” The American people are not going to buy the notion that “risks to the economy” are caused by some bureaucrats having their fingers in a little less of our money.

A tax cut now would be the best way to celebrate the tenth anniversary of the passage of the Reagan*Kemp-Roth tax cut of 1991. Everybody wasn't for tax cuts then, either Business Week warned that they would “touch off an inflationary explosion that would wreck the country.” Harvard economist Paul Samuelson, author of the most widely- used college textbook on economics, said that supply

side economics couldn’t work because it is “not buttressed by time-series analysis or Harvard case studies.”

But a tax cut did work. Interest rates dropped, investment rose, inflation dropped from 13 to less than 4 percent, manufacturing productivity growth expanded, and America enjoyed a decade of economic growth with more than 20 million net new jobs.