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White House Economist Hassett: Don't Lose Sleep Over Triggers

Kate Davidson

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Proponents of the GOP tax plan shouldn't worry about including a trigger that would raise taxes if economic growth isn't as strong as projected, the White House's top economist said Thursday.

Kevin Hassett, the chairman of the Council of Economic Advisers who has touted the growth effects of Republican tax proposals, said the White House is leaving it to lawmakers to decide whether to include such a trigger in the bill.

As an economist, however, he said officials have "a very high degree of confidence" that economic growth will be "a good bit" higher and revenue growth much higher than the Joint Committee on Taxation's static score of the tax plan, which does not take growth effects into account.

"If you believe that then you shouldn't be super anxious about the economic effect of a trigger because a trigger would never kick in or would be very unlikely to kick in," Mr. Hassett said at a Cato Institute event, adding that such a political concession is "not costly."

GOP lawmakers have agreed in principle to a provision in the bill that would reverse tax cuts if federal revenues come in lower than expected. Though the details haven't been laid out, some economists warn that such a trigger could impose tax hikes or spending cuts at a moment when the economy is already weak, potentially worsening the next recession.

The JCT is expected to release its analysis of the Senate tax proposal as soon as this afternoon detailing how much tax cuts could benefit economic growth over the next decade.

Mr. Hassett said he isn't expecting much. While JCT's models are "very defensible," he said, they tend to give much lower estimates of economic growth effects because they don't adequately account for international capital mobility. For example, the models don't explain why corporate profits have risen steadily over the past eight years while real wage growth has stagnated, he argued.

"When they come out and they say, 'Oh, there's not much of a growth effect,' I would say, 'Gee, is there something important that they're missing?'" he said. "The fact that the key economic effect of the past decade is not explainable in those models is something that would give me pause."