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One-and-a-Half Cheers for GOP Tax Proposal

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Unlike the Tax Reform Act of 1986, Republicans are pursuing the current tax debate without support from Democrats. That doesn't provide much confidence in the longevity of whatever legislation comes out of the current debate. President Reagan emphasized revenue neutrality and the important reform principle of taxing all income alike in 1986. The current marketing emphasizes a tax cut, especially for the "middle class."

The word "deficit" appears once, in the ninth paragraph. Even accepting the writers arguments about the potential for enhancing growth, new tax legislation cannot have much permanence because deficits will become more serious before the revenue benefits of higher growth have a material impact. It appears that Congress will employ various accounting gimmicks to understate deficit projections. Even accepting the letter's growth projections, financing the deficit by increased borrowing abroad will mean that some of the income from higher growth will go to foreign lenders. Gross national income will grow more slowly than GDP.

The U.S. desperately needs genuine tax reform. The current debate is unlikely to yield that outcome.

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