



Cato Analyst: Trump's Economic Plan Is Fiscally Sound

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August 11, 2016

Donald Trump, the Republican nominee for president, has a fiscally sound plan to revive the economy with tax cuts that encourage work and investment.

Trump's plan to "work with" a House Republican proposal to cut taxes on capital gains, to reduce the corporate tax rate and to lower the income tax brackets to 12, 25 and 33 percent would boost incentives for people to be more productive, says Alan Reynolds, an economist with the Cato Institute, a libertarian think tank in Washington.

Trump last week discussed his economic plan in a speech in Detroit. Democratic nominee Hillary Clinton this week slammed Trump's economic plan as favoring wealthy people she plans to target with higher taxes.

"Unfortunately, partisan critics keep trying to dismiss all such tax reform proposals as 'reckless' or 'insane' since they promise smaller increases in future revenue than the Congressional Budget Office 'projects,'" **Reynolds writes in a blog post for The Hill.**

The CBO's projections for taxes are flawed, he says, because they predict that government revenue from income taxes will outpace economic growth as wage gains push people into higher tax brackets. The CBO also assumes that higher taxes don't harm economic growth by creating disincentives to work.

"The CBO imagines real wages will supposedly rise so rapidly that more and more ordinary people will find themselves shoved up into the top Clinton-Obama tax brackets of 35 percent and 39.6 percent," Reynolds says. "In short, the House Republican plan is alleged to 'lose money' only because it would block 'real bracket creep' by repealing the highest tax rates.

The CBO's projections also don't consider how the economy will grow with a smaller tax burden, he says.

“Even aside from its vitally invigorating impact on depressed incentives to work and invest, the House Republican tax reform would at most merely thwart a farfetched CBO projection of perpetual tax increases,” Reynolds says. “Relative to recent and historical experience, it would not ‘cut taxes’ at all.”

Trump said on Thursday that Obamacare, high taxes and regulation are stifling business in the United States.

President Barack Obama's regulations are "making it virtually impossible to start new businesses and a lot of old businesses are being hurt very badly," **he told CNBC**. "Obamacare is devastating businesses, I get it all the time," he said.

In a wide-ranging interview, Trump also said the United States will continue engaging in free trade if he is elected, but will negotiate better deals.

"We are absolutely going to keep trading," Trump said in an interview with CNBC, adding he was "not an isolationist." Trump said he would renegotiate, not scrap, existing trade agreements like the North American Free Trade Agreement. "I'm a fair trader," Trump said.