Tax cut fantasies flourish post-election

The Intersection

November 7, 2010 - Mike Maneval

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Michael Tanner, writing for the National Review in the wake of last Tuesday's election results in which Republicans took control of the U.S. House, praises the Republican leadership's vow to cut taxes, starting with a renewal of the Bush tax cuts in their entirity. Tanner, an anti-government author and figure at the anti-government Cato Institute, says the approach "makes both political and economic sense, especially during an economic downturn."

But does it?

An assessment of income levels during the past decade by economist David Cay Johnston finds that, "even if we limit the analysis by starting in 2003, when the dividend and capital gains tax cuts began, through the peak year of 2007, the result is still less income than at the 2000 level. Total income was down $951 billion during those four years ... Average taxpayer income was down $3,512, or 5.7 percent, in 2008 compared with 2000."

How about the tax rates' impact on joblessness? We can use the 2003 tax cuts of the Bush administration as a starting point. The jobless rate stood at just below 6 percent when the tax cuts began. Instead of falling, it held at that level fairly consistently for three years, fell by about a percent, and then - under those same lower rates - skyrocketed to 10 percent over four years. Let me expand upon that: After paying lower tax rates for five or six years, the leadership of the private sector not only failed to create more jobs but kept cutting employment until joblessness crested at 10 percent, and now hovers just below there.

At no point under the lower Bush tax rates has unemployment reached the 4-percent rate posted in the final year of the Clinton presidency - a 4-percent joblessness rate under those higher tax rates Republicans swore were an impediment to growth. So when, in reviewing the historical trends on joblessness, can you find a lower jobless rate than the 4 percent posted in 2000? The Eisenhower presidency, for one place. In 1952 and 1953, when our unemployment stood at 3 percent and 2.9 percent, respectively ... and when the top tax bracket on capital gains was about 90 percent.

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