

# Bush Tax Cut Calisthenics

✘ Has there even been a policy initiative that has received as much attention as the Bush tax cuts? The fascinating thing is that the conventional wisdom on these cuts is constantly changing. They are not all that complicated. In 2001 and 2003 everyone who paid income taxes received a reduction in their tax bill through cuts in rates. The cuts were implemented to help spur economic growth after the “.com bubble” and the attack on 9/11. The results are easy enough to look up. The economy grew at 2-4% for 5 years, and unemployment dropped from 6% to 4.6% during the same period. This is not very complicated, and the policy was measurably successful in achieving the stated goal. Over the last 10+ years we have received complicated and often conflicting stories which are supposed to represent accurate analysis.

We were told that these tax cuts would increase the deficit. In fact the revenue to the treasury increased for every year following these cuts until the recession 5 years later. Any budget deficits were due to spending more than the increase in revenue.

We were told that these were tax cuts for the rich. Now we are told that 98% of Americans that received the tax cut were not “the rich”. This tidbit has only been widely reported since Mr. Obama became President, and extended the cuts by two years.

We were told that tax cuts needed to be “paid for” with spending cuts. This was the reason that the cuts expired. Now no one cares what they cost, and few even remember that tax cuts were always said to be paid for. Republicans are looking to cut spending, but not to pay for the tax cut continuation, and Democrats don't cut spending.

We were told that the Bush tax cuts were the cause of the

recession and financial crisis. The President hammered home this point repeatedly during this year's Presidential campaign. Now we are told that if we don't extend the tax cuts for at least 98% of the people it will cause a new recession and financial meltdown. This reminds me of a Dire Straits song where the lyrics say, "Two men say they're Jesus, one of them must be wrong" (Industrial Disease, 1982).

The Congressional Budget office has estimated that the 10 year "savings" by letting the taxes go back up for the top 2% of taxpayers is \$824 billion. The tax cuts have been in place for roughly 10 years. It doesn't really work this way, but let's say that these cuts were never implemented, and the \$824 billion more had gone to paying down the debt. How different would our fiscal situation be with a debt of \$15.4 trillion rather than \$16.2 trillion?

The reporting and politics of this can make one's head spin if you actually listen to them. It is as if no one has a memory in terms of how conventional wisdom has changed. Let's just hope that whatever they are shoveling us about the Bush tax cuts next week works as they have planned for us. Perhaps a year from now when things aren't going well we can find a new way to blame the Bush Tax Cuts.