The Washington Times
www.washingtontimes.com

Pro-growth tax policies . . . and rewards

By Judd Gregg
Published May 12, 2006

This spring, tens of thousands of American college students are poised to receive their diplomas and undertake a rite of passage -- looking for their first job.

Luckily, Republican pro-growth tax policies enacted in 2003 have fueled the creation of millions of jobs and dramatic economic growth over the past several years, a trend likely to continue as long as Congress extends these policies, not ends them.

Just last week, the Congressional Budget Office (CBO) projected a smaller deficit than anticipated for 2006, citing dramatic and robust tax revenue as a main reason. Tax receipts for the first six months of this year are up more than 11 percent; year-to-date corporate tax revenue has nearly tripled since 2003. This follows CBO's January forecast that capital gains tax receipts will be $6 billion higher in 2006 than last year.

The Labor Department last week reported 5.3 million new jobs have been created since August 2003, representing 32 months of uninterrupted job growth. The nation's unemployment rate is 4.7 percent, the lowest in nearly five years. Our economy has become more efficient and productive than ever before, with U.S. productivity at its highest since World War II.

In addition, real gross domestic product (GDP) since 2003 has skyrocketed by more than 9 percent and the stock markets are reaching for new, historic highs. Business investment has grown at a strong average annualized rate of 9.2 percent in the 11 quarters since 2003 tax relief lowered tax rates on dividends and capital gains. Household wealth is at an all-time high, consumer confidence is near a four-year high and homeownership has reached record levels -- more than two-thirds of Americans own their homes.

With millions more Americans working and tax revenues flowing into the government coffers, dampening this economic expansion with a 1930s tax policy of raising taxes on risk-takers and entrepreneurs in our society would be unfair to all those who have gotten jobs as result of these pro-growth tax policies.

President Kennedy's tax relief plan stimulated the economy and drove a stake through the heart of the idea that higher taxes equal higher revenues. Ronald Reagan's policies of lowering taxes fueled economic growth. And now President Bush has proven this approach again. Record increases in tax receipts in fiscal 2005 and the first six months of fiscal 2006 have shown that.

Unfortunately, many seem to turn a blind eye to the facts. Fair tax rates, especially on capital formation, give people a reason to work harder and invest more efficiently. That translates into more jobs and more revenue flowing to the federal government.

Tax-and-spend policies do not work. Failure to extend the current tax policies that are stimulating growth and investment would reverse the gains made, slowing the economy and undermining U.S. competitiveness.

The American people are not undertaxed. The deficit exists primarily because of entitlement spending, as well as paying the cost of the war and the Gulf Coast recovery efforts. Instead of raising taxes, which would harm the economy, we should focus on the impending crisis that will be triggered when the Baby Boom generation retires.

This demographic shift, combined with skyrocketing health-care costs, will drive entitlement spending so high it will threaten to overwhelm U.S. economic resources. Such a scenario would devastate our children's economic opportunities and standard of living.

The economic well-being of future generations, such as those celebrating their graduations this year, depends on this generation's ability to control spending while allowing Americans to keep more of what they earn to save and invest. Keeping pro-growth tax policies in place is a key element in maintaining a sound fiscal policy.

Judd Gregg, New Hampshire Republican, is chairman of the Senate Budget Committee.