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VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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TAX POLICY MISTAKES AND THE HOOVER ERA

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WASHINGTON, D.C. – Those who compare recent economic conditions and policies to those of the Hoover era should recall the mistakes made in the Revenue Act of 1932, Vice Chairman Jim Saxton said today. Instead of reducing the tax burden, Congress passed and President Hoover signed into law steep increases in personal income tax rates, estate tax rates, and many other items.

The top personal income tax rate was raised from 25 percent in 1931 to 63 percent under the 1932 Act, more income was exposed to the income tax, and the estate tax burden was more than doubled. The salient provisions of the 1932 Act moved in exactly the opposite direction as the recent tax relief legislation passed in 2001, 2002, and 2003. However, many of the critics of the recent tax relief legislation advocate increases in tax rates reminiscent of those contained in the 1932 Revenue Act, even as they exaggerate the degree of recent economic weakness.

"The economy has been subject to many shocks in recent years, starting with the bursting of the stock market and high technology bubbles early in 2000," Saxton said. "Manufacturing has been under pressure and had continuous monthly job losses since the summer of 2000. Despite these problems, the U.S. economy has been amazingly resilient. It is absurd to compare current economic conditions to those of the Hoover years, a time when the unemployment rate was as high as 24 percent. Unfortunately, there are Americans now experiencing unemployment and other difficulties, but these are nothing like the scale seen in the Great Depression.

"It is especially ironic for those portraying the current economic situation in the darkest possible colors to advocate huge tax increases. If the economy were as weak as the critics contend, a tax increase would merely repeat the destructive mistakes of the past. Tax increases impose additional economic costs on the economy in any phase of the business cycle, but would be particularly destructive at a time when the economic and employment outlook finally is improving significantly after several years of disappointing performance," Saxton concluded.

For more information on tax policy, please visit our website at www.house.gov/jec.

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