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## Commentary

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### Ted Boettner: Ice cream doesn't cause shark attacks

The Daily Mail's Jan. 21 editorial, "Those tax cuts should be kept," stated that President Bush's tax cuts of 2001 and 2003 should be made permanent because federal revenues have grown by 40 percent between 2003 and 2007. Furthermore, the editorial stated that these tax cuts were "far from being tax cuts for the rich."

Both assertions are misleading in making the case to keep Bush's tax cuts permanent to stimulate the economy and provide a broadly shared prosperity.

While tax revenue did increase by 39 percent from 2003 to 2007, revenue growth had plummeted by about 9 percent between 2000 and 2003. Measured as a share of the economy, revenues in 2004 were at their lowest level since 1959.

Given this historically low starting point, it is not surprising that revenues have recovered. However, when you look at revenue growth from 2000 to 2007, it's only 27.3 percent.

By comparison, revenues grew by 76 percent in the seven years from 1993 to 2000 when Clinton was president.

Even if you isolate Bush's golden years, from 2003-2007, and ignore the prior slump, the average rate of revenue growth per year is 8.6 percent. This compares to an average 8.4 percent in revenue growth during the Clinton years.

It's important to recognize that during this time, Clinton not only raised taxes on high-income earners instead of cutting them, but also outperformed the revenue growth during Bush's presidency.

This clearly indicates that the recent growth in revenues is not directly tied to Bush's tax cuts, but is more plausibly a natural rebound from the economic recession that began in 2000. In addition, tax revenues tend to rise over time as a natural result of inflation, rising population, and economic growth.

Furthermore, there is no causal connection between Bush's tax cuts and revenue growth, only correlation.

This is what social scientists refer to as a logical fallacy. For example, ice cream sales and the number of shark attacks increase in the summer, but this doesn't mean that the sale of ice cream is causing the increase in shark attacks.

Regarding the income distribution of Bush's tax cuts, once again there's pretty clear evidence that they've favored those residing in the upper-income brackets.

According to the non-partisan Congressional Budget Office, one-third of Bush's tax cuts have gone to the top 1 percent of household income earners (those above \$1 million). The top 1 percent received an average tax cut of \$78,460, while households making an average of \$57,000 a year received only \$1,090.

It's important to realize that these tax cuts are funded by increased borrowing, which eventually will have to be paid back in the form of higher taxes or cuts in government services.

Instead of cutting taxes for millionaires, we should design a short-term stimulus package that helps those hardest hit by the recession and who are more likely to boost spending. This could include a \$600 check to everyone who works and pays taxes, extending unemployment insurance, and increasing food stamp benefits.

Spending in these areas can very quickly impact the economy and not only give those most in need a boost but help our economy through the tough time ahead.

Boettner is executive director of the West Virginia Center on Budget and Policy.

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