

Why the Tax Debate?

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The debate should not be should we nor should we not return to year 2001 tax rates. The debate should be should we return to 2001 spending rates. According to www.usgovernmentspending.com and www.usgovernmentrevenues.com if federal spending was at 2001 levels, in which the federal government spent \$1.863 trillion, and federal revenues for 2010 met the projected \$2.165 trillion, we would have a \$302 Billion dollar surplus this year.

The US does not have a revenue problem; we have a spending problem, and now an interest on the debt problem. Blame the Bush Tax cuts all you want, but even in this sluggish economy, federal revenues are 9% higher in 2010 than they were in 2001 before the cuts were enacted. However in that same time frame federal spending has gone from \$1.863 trillion to \$3.721 trillion, a doubling in federal spending!

Of course the Keynesians will argue that if federal spending is reduced, the economy will slow, thus lowering revenues. They believe government spending is able to drive economic growth. Well, it is a nice politically pain free theory, but it is a theory based on multipliers and models, not reality. Reality shows that government spending has doubled in the past 10 years, and increased 40% since 2006, yet we are still seeing a sluggish economy. Do these same economists argue we should have tripled our spending the past ten years, or increased our spending since 2006 by 90%, 150%, or 200%? Any economists still arguing for Keynesian policies believes in the infallibility of their theories and models over evidence and experience.

If the argument is going to be framed that 'the US economy was prosperous prior to Bush, so there is no reason we cannot return to pre-Bush tax rates', then the argument must remain consistent. If the economy was prosperous prior to Bush, then there is no reason we cannot return to pre-Bush levels of government spending. Compromise made, the left will never accept anything Bush and the right will never accept anything Obama; let's end the wars, return the tax rates, repeal the health care and financial reform regulation monstrosities, eliminate the department of homeland security, and start over with some sane governing based on economic realities, not theories.