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Washington, D.C.—Members of the Blue Dog Coalition voiced serious concern today about the prospect of the Republican tax cut package doing further harm to the already struggling economy. Blue Dogs, who offered their own budget and economic growth plan last month, highlighted that the Republican tax cut package will be financed entirely with borrowed money. The Coalition, along with many reputable economists, believe that the long term harm of running up the national debt in perpetuity will outweigh any possible benefits from the tax cuts.

"The best way to ensure that we, our children and our grandchildren are all overtaxed for the rest of our lives, is to keep borrowing money" said Rep. John Tanner (TN), Blue Dog Tax Task Force co-chair and a member of the Ways and Means Committee. "Every dollar of this tax cut is borrowed money. I find it irresponsible and immoral that we would send our young men and women into war, then bring them home so they and their children can pay off the 'debt tax' on an exploding federal debt."

The Republican tax plan is being financed entirely by borrowing and increasing the "debt tax"; Passage of this plan will increase spending by \$273 billion for interest on the debt—a \$273 billion increase in the debt tax of which every taxpayer will share.

In the past, Republicans repeatedly and consistently derided budget deficits and strongly supported the merits of balancing the federal budget, even pointing out the positive impact that fiscal discipline has on the economy. The 1995 budget resolution authored by the then-, anti-deficit Republican majority insisted that a balanced budget would ensure "lower interest rates, a faster rate of economic growth, increased national wealth, increased rates of saving and investment, faster growth in the capital stock, higher productivity and improved trade balances."

"I remember when my Republican colleagues used to agree with me that deficit spending placed a drag on our economy," commented Blue Dog Co-chair for Policy Charlie Stenholm (TX). "But if Republicans believe that borrowing \$820 billion for this tax cut is good economic policy, they should be willing to vote to increase the debt limit to pay for this additional borrowing instead of trying to avoid taking responsibility for the debt they are running up."

A plank in the 1996 Republican Platform read, "Once and for all, we declare: A balanced budget and lower taxes go hand in hand, not in separate directions; Reducing the budget deficit by shrinking government produces a fiscal dividend in stronger growth and lower interest rates...Ending that deficit will make possible a dramatic return of resources to the American people...We will not mortgage our children's future by incurring deficits..."

A report issued by the Federal Reserve and endorsed by Chairman Alan Greenspan concluded that government deficits have a negative impact on the economy. Greenspan maintained the same point in testimony before the Senate Banking Committee last month, "Contrary to what some have said, [when deficits go up] it does affect long-term interest rates, it does have a negative impact on the economy."