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JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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TAX REDUCTION OFFERS ECONOMIC BENEFITS

WASHINGTON, D.C. – Bipartisan Congressional support for tax relief as an economic stimulus is a rational policy choice supported by a large body of research, according to a study released today by Chairman Jim Saxton of the Joint Economic Committee (JEC). The empirical evidence shows that the economic benefits of tax relief will more than offset its costs, even in the event the reduction in net federal debt is more gradual. The study, *Fiscal Policy Choices: Examining the Empirical Evidence*, reviews some of the alternatives policymakers face.

“The counterproductive impact of excessive taxation is a major drag on the already struggling economy,” Saxton said. “In addition to the revenue cost associated with each dollar of tax raised, the tax system imposes additional economic costs of about 40 cents per additional revenue dollar. This excess burden of taxation can be reduced by well-designed tax policy.

“The excess burden of taxation also makes it harder to justify significant new federal spending. A dollar of additional spending ultimately also imposes an excess burden of about 40 cents, so the benefits must be even higher to produce a net economic benefit. It would be hard to demonstrate that the benefits of new spending proposals would be greatly in excess of their financial costs.

“The counterproductive impact of the current tax system, well documented in the economics literature, is one major reason there is some bipartisan agreement on tax relief as a component in economic stimulus proposals. Given the current economic weakness, the empirical evidence shows that provision of some tax relief clearly offers greater potential economic benefits than would a less gradual decline of net federal debt,” Saxton concluded.

For a copy of the new study, *Fiscal Policy Choices: Examining the Empirical Evidence*, please visit our website at www.house.gov/jec.

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