



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CONGRESSMAN JIM SAXTON

PRESS RELEASE

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STATEMENT OF CONGRESSMAN JIM SAXTON

It is a pleasure to join in welcoming Chairman Hubbard before the Committee this morning.

A review of the data shows that the economy has not yet fully rebounded from the slowdown that began in the middle of 2000. Although GDP growth was about 3 percent during the first three quarters of the year, it lagged in the fourth quarter. Consumption has held up quite well until the last quarter, but weakness in business investment continues to be a feature of the slowdown. Employment has also been weak, with manufacturing employment, for example, falling for 29 consecutive months since the summer of 2000.

The President has proposed to accelerate already scheduled tax reductions in individual marginal income tax rates and the marriage penalty, provide a dividend exclusion for individuals, and expand expensing of investment for small business, among other things.

During 2001, many economists noted the timeliness of the first installment of tax relief, given the fact that the economy had slipped into recession. The current concerns about the pace of economic expansion indicate that accelerated tax relief now would also be appropriate. The end of the double taxation of dividends would also reduce the bias against saving and investment in the tax code, and enhance the prospects of economic growth over the long run.

Unfortunately, opponents of the President's tax proposal have misrepresented it as skewed towards the affluent. However, this argument is typically based on incomplete information taken out of context. As I have pointed out before, disclosure of the shares of taxes paid by each income group before and after a tax relief plan goes into effect is usually not made by such critics. Such information would demonstrate that the proportion of tax relief is mostly driven by the shares of taxes paid before tax relief becomes effective, and usually subsequent changes in total tax shares are quite small.

Another issue related to evaluating the impact of tax relief is income mobility. Over ten years ago this committee asked the Treasury Department to provide an analysis of the mobility of tax filers over an extended period of time. In the last Congress, I requested an updated examination of this critically important issue, and think such information would be valuable to policymakers now. There are those who persist in viewing the U.S. economy as a sort of caste system in which people are cemented into a particular income class forever. Data on income mobility demonstrate a much more flexible and dynamic reality characterized by fairly high degrees of income mobility.

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