



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

**Congressman Jim Saxton
Ranking Republican Member**

PRESS RELEASE

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LABOR MARKET WEAKNESS WON'T BE IMPROVED BY TAX INCREASES AND PROTECTIONISM -- Hoover Policy Mix Should Be Rejected --

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WASHINGTON, D.C. -- Congress should not react to disappointing labor market figures and other economic data by enacting policies reminiscent of the Hoover Administration, Congressman Jim Saxton, ranking member of the Joint Economic Committee (JEC) said today. This morning, the Labor Department released data showing no statistically meaningful change in payroll employment in March and an increase of the unemployment rate to 5.1 percent. Recent weak economic data have led some to compare current economic policies to those of the Hoover Administration, without apparently knowing what the Hoover Administration's policies actually were.

"Those who compare recent economic conditions and policies to those of the Hoover era should recall the mistakes made in the Revenue Act of 1932," Saxton said today "Instead of reducing the tax burden, Congress passed and President Hoover signed into law steep increases in personal income tax rates, estate tax rates, and many other taxes."

"As I have previously noted, the top personal income tax rate was raised from 25 percent in 1931 to 63 percent under the 1932 Act, more income was subjected to the income tax, and the estate tax burden was more than doubled. The salient provisions of the 1932 Act moved in exactly the opposite direction of the recent tax relief legislation passed in 2001, 2002, and 2003. However, many of the critics of the recent tax relief legislation advocate increases in taxes reminiscent of those contained in the 1932 Revenue Act, even as they exaggerate the degree of recent economic weakness by evoking the Great Depression.

"It is absurd to compare current economic conditions to those of the Hoover years, a time when the unemployment rate was as high as 24 percent. Unfortunately, there are Americans now experiencing unemployment and other difficulties, but these are nothing like the scale seen in the Great Depression.

"It is especially ironic for those portraying the current economic situation in the darkest possible colors to advocate huge tax increases. If the economy were as weak as the critics contend, a tax increase would only repeat the destructive mistakes of the Hoover era. Tax increases impose additional economic costs on the economy in any phase of the business cycle, but would be particularly destructive at a time when the economic and employment outlook is fragile. Protectionism in addition to tax increases was demonstrated to be an especially lethal policy mix during the 1930s, but the majority in Congress seems oblivious to this fact," Saxton concluded.

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