



CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

Congressman Jim Saxton  
Ranking Republican Member

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## PRESS RELEASE

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## TAX INCREASES WOULD DAMAGE ECONOMIC OUTLOOK

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**WASHINGTON, D.C.** -- The prospect of a huge future tax increase will undermine economic decisions made in today's fragile economic environment as well as in coming years, Congressman Jim Saxton, ranking Republican member of the Joint Economic Committee said today. The evidence shows that large tax increases, as embodied in the Congressional budget resolutions, will severely damage the economy.

As one recent National Bureau of Economic Research (NBER) study noted of tax increases undertaken for broad fiscal policy reasons, these tax increases "...appear to have a very large, sustained, and highly significant negative impact on output." The NBER study found that much of this negative impact is due to declines in gross private investment triggered by such tax increases.

"With the economy already under enormous stress, it is an especially bad time to consider massive tax increases on American families and businesses," Saxton said. "These tax increases will not only exact higher tax payments from taxpayers, but also will impose a large additional burden on the economy in terms of lost output. As the NBER study points out, tax increases lower investment and thus reduce economic growth. Unfortunately, the tax provisions that do provide tax incentives for investment are the very ones least likely to survive given the current composition of Congress.

"The insatiable desire in Washington for higher federal spending is the driving force behind the support for higher taxes. There is little doubt that every dollar of additional tax raised will be targeted to finance new spending. As a study I released last year pointed out, since 1947 each dollar of federal tax increases has led to \$1.07 of additional federal spending. By providing more resources to Congress, tax increases historically tend to stimulate more federal spending.

"Some assert that making the tax cuts permanent will 'cost' the federal government hundreds of billions of dollars. Another way of looking at it is that *not* extending the tax cuts will cost *taxpayers* hundreds of billions of dollars. It all depends on whether the taxpayer or the government is the higher priority," Saxton concluded.

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