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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

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TAX RELIEF NEEDED FOR STRUGGLING ECONOMY - Lingering Economic Weakness Requires Sustained Tax Reduction -

Washington, D.C. – The tax relief plan proposed by President Bush would reduce the excessive burden of taxation on the U.S. economy, according to a new JEC study released by Vice Chairman Jim Saxton today. The study examines the extra costs imposed by current levels of taxation, which average about 40 cents on the incremental dollar collected in federal revenue. The study, *Federal Tax Policy, Near-Term Stimulus, and Long-Term Growth*, analyzes the main components of the Administration plan.

“Current economic conditions require significant and sustained tax relief to encourage continued expansion,” Saxton said. “While some believe the underlying fundamentals in the economy will result in a healthy economic rebound soon, our research does not provide assurance that this necessarily will be the case. Although the economy has shown remarkable resilience in recent years, there is ample reason to avoid complacency.

“The stock market collapse that began in March of 2000 has triggered three consecutive yearly declines in household wealth, the longest deterioration in the postwar period. Not only did this collapse wipe out several trillion dollars in household stock holdings, it also reflected the widespread existence of bad capital investments in the telecom and other sectors, and economic distortions whose correction will take several years to complete.

“In addition, the additional security expenditures on personnel, equipment, and facilities after the terrorist attacks are an additional burden on the economy. International economic weakness, higher oil prices, and geopolitical uncertainty provide more reason for caution about the economic outlook.

“A short period of temporary tax relief focused on the last six months of 2003 would be inadequate to boost the economy on a sustained basis. Long-term tax relief is needed to keep the economy growing in 2003 and 2004 and into the following years. The Administration’s proposal would increase economic and employment growth not only in the last half of 2003, but through 2004 as well. Some assume that the economy doesn’t need a sustained boost, but we can’t afford to set policy based on such an assumption and thereby risk economic and employment growth in 2004 and 2005,” Saxton concluded.

For a copy of the new JEC study, please visit our website at www.house.gov/jec.

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