

Have the Bush tax cuts worsened the deficit situation?

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When President Bush took office, the federal budget was in surplus, and we were on track to pay off the national debt by 2008. Now we face record deficits and debt as far as the eye can see.

What happened? Spending went up and revenue went down, way down. The gap between the two has left us awash in red ink. Anyone who claims that the deficits were caused entirely by higher spending or entirely by lower revenue simply isn't being straight with the American people. Both sides of the federal ledger played a part in creating the deficits.

Although spending as a share of the economy fell throughout the 1990s, since 2000 spending as a percent of GDP has gone up. Discretionary spending, in particular, increased largely due to higher defense and homeland security expenses, the response to the Sept. 11 attacks and now hurricane relief and recovery costs.

Meanwhile, since 2000, revenues as a percent of GDP have plummeted. In fact, in 2004, they fell to the lowest level since 1959. The president's tax cuts caused more than half of that drop in revenues. There was a small improvement in revenue in 2005, but most economists concluded that it was caused by temporary factors, such as the expiration of the business bonus depreciation tax cut.

Proponents of supply-side ideology often claim that the president's tax cuts have generated economic growth and brought in more revenue than they lost. Unfortunately, history has proven otherwise. Economic growth over the last few years has been about 25 percent less than the average achieved during the previous nine recoveries. And revenues have collapsed. As Federal Reserve Chairman Alan Greenspan told Congress in 2004: "It is very rare and very few economists believe that you can cut taxes and you will get the same amount of revenues."

Make no mistake, I support some tax cuts to stimulate economic growth and promote tax fairness. But given the deficits we now face, any new tax cuts or new spending should be paid for. Otherwise, we're just borrowing from future generations to provide tax cuts and spending now.

Tax cuts don't pay for themselves. Continuing down this road of borrowing to provide tax cuts and higher spending will drive us deeper into deficit and debt, and it threatens the economic security of the nation. It is long past time for us to get serious about putting our fiscal house back in order and bring our budget back into balance.