ECONOMISTS AGREE: TRUMP-GOP TAX PLAN WILL NOT SUBSTANTIALLY BOOST ECONOMY

As of January 16, 2018

President Trump and Congressional Republicans claim their massive tax cuts for the wealthy and corporations will greatly increase economic growth, enough even to cover the plan's $1.5 trillion cost (though they've recently been hedging this last claim). Economic experts from across the ideological spectrum strongly refute these claims, both on general principles and as they relate to this specific plan.

TRUMP-GOP TAX PLAN WILL NOT SUBSTANTIALLY BOOST ECONOMIC GROWTH

Joint Committee on Taxation, the non-partisan tax research committee of Congress
JCT estimated that increased economic growth from the tax cuts passed by Congress **would make up for only about one-quarter** of the $1.5 trillion in lost revenues and increased debt costs the tax cuts would cause over 10 years. (Dec. 22, 2017)

University of Chicago survey of economists, academics from leading research universities
All but one of three-dozen leading academic economists—professors at Harvard, Yale, Stanford and other major research universities, and including at least two former members of Republican administrations—agreed that "a tax bill similar to those currently moving through the House and Senate" would result in the deficit as a share of the national economy being "**substantially higher a decade from now** than under the status quo." (Nov. 21, 2017) (The lone dissenter later admitted he had misread the question and in fact joined the others in their opinion.)

In the same survey, **only one economist agreed** with the statement that the GOP tax plans would result in the level of economic activity (GDP) being "substantially higher a decade from now than under the status quo." The rest were either uncertain or disagreed. (The one supporter of the idea added in a comment that "whether the overall tax plan is distributionally fair is another matter.")

Fitch Ratings, one of the "Big Three" credit rating agencies
Fitch anticipated the GOP tax plans before Congress "will lead to wider fiscal deficits and **add significantly to US government debt**." … "Tax cuts may lead to a short-lived boost to output," the agency's analysis continued, "…[but] **they will not pay for themselves or lead to a permanently higher growth rate**. The cost of capital is already low and corporate profits are elevated. In addition, the effective tax rate paid by large corporations is well below the existing statutory rate. From a macroeconomic perspective, adding to demand at this point in the

economic cycle could add to inflationary pressures and lead to additional monetary policy tightening…" (Nov. 7, 2017)

Penn Wharton Budget Model, University of Pennsylvania research organization
The GOP tax law "**increases federal debt in both the short- and long-run** relative to current policy. In the near term, there is a small boost to GDP, but that increase diminishes over time. … By 2027..., [d]ebt increases between $1.9 trillion and $2.2 trillion, inclusive of economic growth. … By 2040…, debt increases by $2.2 to $3.5 trillion." (12/18/17)

Tax Policy Center at the Urban Institute and Brookings Institution
The Tax Policy Center (TPC) estimates that under the new tax law, GDP could be 0.8 percent higher in 2018 than it would have been had the law not been enacted, **but that this boost to output would decrease in future years to virtually zero by 2027.** (Dec. 20, 2017)

Survey of Institutional Investors and Hedge Fund Managers, by Barclay Hedge
A survey of 113 of hedge fund managers and other large investors in late October found that nearly three-quarters (70%) believe the GOP tax plans would increase the deficit. Almost half (46%) expected corporations to use their tax cuts to "repurchase their own shares or raise dividends," while only 12% thought they would use their tax savings to "expand their facilities or hire more workers." (Oct. 17-31, 2017)

Mark Zandi, chief economist, Moody's Analytics
In testimony to Congressional Democrats on December 13, about the House and Senate tax plans he said: **"If either plan were to become law as proposed neither would materially increase long-run economic growth, but both would add significantly to the government's deficits and debt load.** … The tax plan does not increase growth from 2% to 3%, as the proponents argue, but from 2.00% to 2.03%." (Dec. 13, 2017)

Jason Furman, former chairman, Council of Economic Advisors (Obama) and economics professor at Harvard University's Kennedy School of Government
"The tax bills have a **very small impact on growth** over the next decade with a wide range of estimates finding a boost to growth of less than 0.1 percentage point per year over the next decade. In the long run, the **additional debt accumulation** associated with the bills would **most likely reduce the size of the economy…"**

"I have spent substantial time analyzing some of the claims that the growth effect would be higher and have found that they generally derive their **misleading and inaccurate conclusions from a combination of errors**. These errors include, but are not limited to, failing to model the actual details of the legislation, using long-run estimates without adjusting for the length of the transition period to arrive at the 'long run', ignoring the negative impact of the additional debt, and using overly optimistic economic parameters." (Dec. 13, 2017)

ECONOMIC EXPERTS OF ALL IDEOLOGICAL STRIPES ON DEFICIT-FINANCED TAX CUTS

Bruce Bartlett, domestic policy adviser to President Reagan who helped craft 1981 tax cut
In a *Washington Post* op-ed headlined "I Helped Create The GOP Tax Myth. Trump Is Wrong: Tax Cuts Don't Equal Growth," Bartlett noted the differences between now and the early 1980s, including the currently stronger economy and lower tax rates. He concludes: **"There's no evidence that a tax cut now would spur growth."** (Sept. 28, 2017)

Joel Slemrod, senior economist for tax policy, Pres. Reagan's Council of Economic Advisers
In a *Wall Street Journal* article headlined "The Link Between Economic Growth and Tax Cuts Is Tenuous," which focused on Slemrod's study of international tax rates and economic growth over 150 years, he concluded that there was no clear connection between lower rates and higher growth. "**It's really hard to just look at countries' growth rates over time, relate that to what their tax rates and structures are, and say, 'Ah, here's the silver bullet.**'" He also concluded: "**Can tax cuts pay for themselves? The evidence overwhelmingly suggests that this is not true."** (Oct. 1, 2017)

Greg Mankiw, Chairman Council of Economic Advisors (George W. Bush)
While asserting that tax cuts can spur growth, the Harvard economist said that such effects are often overstated. **"[Only] about one-third of the cost of tax cuts is recouped via faster economic growth."** (April 25, 2017)

Katherine Baicker & Richard Schmalensee, Members of the CEA under, respectively, George W. Bush and George H.W. Bush
In a University of Chicago survey of economists, both **disagreed with the statement**: "The tax reform plan proposed by President Trump this week would likely pay for itself through higher economic growth." (May 2, 2017)

Goldman Sachs, nation's leading investment bank
"Overall, the research literature appears to suggest that tax cuts can have modestly positive supply-side effects, though **some studies find no effect**." (Oct. 9, 2017)

William G. Gale & Andrew A. Samwick, Brookings Institution & Dartmouth College
"Tax rate cuts may encourage individuals to work, save, and invest, but if the tax cuts are not financed by immediate spending cuts, they will likely also result in an increased federal budget deficit, which in the long-term will reduce national saving and raise interest rates. **The net impact on growth is uncertain, but many estimates suggest it is either small or negative.**" (February 2016)

Center on Budget and Policy Priorities
"**Most corporate rate cuts go to high-income investors and don't 'trickle down' to workers.** Contrary to claims that workers will benefit as companies invest more and thereby boost jobs or wages, mainstream estimates are that only a very small share of corporate rate cuts eventually flows to workers…**Huge tax cuts for the wealthy and corporations could actually**

hurt growth and the majority of Americans. If they aren't paid for, the increased deficits would reduce national saving, meaning less capital would be available for investment in the economy and interest rates could rise — and wages could fall." (Oct. 10, 2017)

Jared Bernstein, former Chief Economist to Vice President Joe Biden and Senior Fellow, Center on Budget and Policy Priorities
"[T]he relationship between taxes and growth is not simplistic: the empirical record shows strong growth periods amidst higher tax rates and **weak growth periods amidst lower tax rates**." (Apr. 20, 2016)

Center for American Progress
"The past quarter century has tested the supply-side theory that top-bracket tax cuts would boost economic growth and jobs. **This theory has decidedly failed.**" (Aug. 24, 2017)