

THE BUDGET SUMMIT AGREEMENT: PART VII ECONOMISTS SPEAK OUT

As the facts of this week's budget summit agreement come to light, a consensus is growing that the package contains only real taxes and phony spending cuts that will send the American economy headlong into a recession. Even House Majority Leader Richard Gephardt, the Missouri Democrat, is criticizing the agreement. "I detest it. I think it's wrong The economy won't do what we think it's going to do now. And probably, in three years, we'll be back into a summit," Gephardt told the St. Louis Post-Dispatch in a front-page interview published today. Several top economists, many former high-ranking Reagan Administration officials, voiced their own criticisms of the agreement at a Heritage Foundation briefing today.

*Betsy C. Hart
Director of Lectures and Seminars*

I oppose this budget agreement... it is a disaster. The ambitious enforcement program is full of loopholes. The package doesn't reduce the deficit, the deficit goes up by \$50 billion.

If this agreement is approved, I think it is vitally important that we take the table with the outlays and revenues, and we frame it, put it on the wall, and then every year we compare the numbers and see what they are. I'm willing to bet that those numbers will not comport with reality.

— James Miller, Ph.D., Chairman, Citizens for a Sound Economy, Former Director, Office of Management and Budget

There are four fundamental flaws in the budget: it contains the largest first year tax increase in American history; it is technically flawed in its economic assumptions; it creates the myth of entitlement reform; and there is no enforcement and no real budget reform.

— Daniel J. Mitchell, John M. Olin Fellow in Political Economy, The Heritage Foundation

Contrary to what the President asserts, this agreement will exert a strong contractionary influence on the economy... The President should tell us how a whopping tax increase and virtually no cuts in spending other than in defense outlays will help the U.S. economy to grow.

What we really need are real spending cuts, and we need basic tax reform that will make the economy more efficient, remove impediments to growth, and remove impediments to the competitiveness of American businesses in the world economy.

– **Norman Ture, Ph.D.**, President, Institute for Research on the Economics of Taxation, former Undersecretary of the Treasury

This is the tenth year of budget agreements. Higher taxes have always been permanent, and budget savings have never been realized. If you just reached into a hat and pulled out something it would be better than this.

– **Paul Craig Roberts, Ph.D.**, William E. Simon Chair in Political Economy, Center for Strategic and International Studies, Former Assistant Secretary of the Treasury for Economic Policy

This budget package is an economic mistake and a political disaster... and it is shifting part of the deficit burden to our children and our grandchildren. Increasing taxes given Gramm-Rudman rules doesn't reduce the deficit, it increases allowed spending... Mr. Bush's claim that the tax package does not increase marginal tax rates is wrong.

– **William Niskanen, Ph.D.**, Chairman, Cato Institute, former member and Acting Chairman, Council of Economic Advisors

If you believe the economic assumptions about the outyear budget surplus numbers, then you don't need tax increases. If you put the tax increases in, then you don't get the economic assumptions.

Here we are in the 1990s raising taxes, increasing regulation, and calling on the Federal Reserve Board to print more money. This is a reenactment of the 1970s. It didn't work then and it won't work now.

– **Stephen Entin, Ph.D.**, Resident Scholar, Institute for Research on the Economics of Taxation, former Deputy Assistant Secretary of the Treasury for Economic Policy

You just don't embark on a large tax increase in a recessionary setting. What we have now is the most blatant visible discussion of not only raising taxes but raising all manner of taxes we thought were locked up... the summiteers will be back and they'll be back to raise taxes again. This weighs heavily on the minds of business and investment people... I don't see how the President and Congressional leaders can get up and talk proudly about austerity and pain because that is not leadership and that will not help the economy.

I am very annoyed at the inflated nature of the new current services baseline. I think it is deceptive, I think it disinforms the public and undermines government credibility. The discretionary, non-mandatory domestic programs have gotten off once-again scot free, and this is a phenomenal area of waste, fraud, and abuse.

– **Lawrence Kudlow, Ph.D.**, Chief Economist, Bear, Stearns, former Chief Economist, Office of Management and Budget