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Press_Office@finance-rep.senate.gov

Floor Statement of Senator Chuck Grassley:
Tax Hikes, Tax Cuts, and Party Control of Congress & the Presidency
Delivered Thursday, July 24, 2008

In a little over three months, Americans will make a very important choice on the future direction of our country. We will go to the polls and select a new President. Americans will also vote on roughly one-third of the Senate and all of the members of the House of Representatives. According to public opinion polls, economic issues will be among the most important matters voters will face in the voting booth.

The Federal Government affects economic issues through Federal fiscal policy. How we deal with Federal fiscal policy can be viewed as two sides of a ledger. On one side is tax policy and on the other side is spending policy. The choices about how we, as a nation, want to balance each side of the ledger will have important implications for our economic future. Most economists agree that high taxes dampen economic growth. Too much spending, like high taxes, can also dampen economic growth. As elected representatives of the American People, we have an obligation, as the Constitution says, to spend those tax dollars for the common defense and general welfare of the nation. We all have a stake in a growing economy. We will all suffer from a shrinking economy.

As Ranking Republican on the tax-writing Senate Finance Committee, I believe it is my obligation to explain the choices and consequences of those fiscal policy choices. Therefore, I want to focus on tax policy as it relates to the choices Americans will face this Fall. In all of the discussion about vague notions of change and hope, there are some substantive issues that America will be facing in the Fall.

The big question will be how much is the Federal Government going to take out of Americans' pocketbooks. We will need to evaluate what we are being told on the campaign trail and compare it with what is likely to occur starting at high noon on January 20, 2009. To do that, we must look at our current tax burden. Next, we need to look at what Senators McCain and Obama are telling us about how they'll change this tax burden. And, finally we have to consider the ability of each candidate to deliver on this promise.

Each taxpayer is going to have to make choices about what these candidates will do on tax issues once they hold power. Every American taxpayer and their family budget will be impacted

by the new President and Congress' agenda.

Today, I want to consider future tax policy in the context of the Congressional record over the last three decades. First, I'm going to compare the actions of Congress on tax hikes and tax cuts in relation to each party's hold on the White House as well. As a baseline, I will show a scorecard of tax hikes and tax cuts over each four-year Presidential term.

I have a chart here. The chart shows three things. As you can see down here, I have the years starting from 1981. As you will note, the years are divided into Presidential terms. So, we start with President Reagan's first term and work our way through the present. That is, the last year of President George W. Bush's second term.

Right above the line showing the years, we have a thick line. The line is divided into three parts. This line shows the relative power of Democrats and Republicans. The top third of the line, if red, shows Republicans holding the White House. The middle third of the line shows who held the Senate majority for the period. If red, then Republicans held the Senate. If blue, then Democrats held the Senate. The bottom third of the line shows who held the House majority during the period. Like the other two lines, if red, it means Republicans held the majority. If blue, it means Democrats were in charge of the House.

Now, moving up the chart, there is a running total of how much, on a yearly average, that particular Congress and President agreed to raise or reduce taxes. This data was drawn from a Treasury Office of Tax Analysis report that was released in 2006.

The amounts are derived from non-partisan Joint Committee on Taxation revenue estimates of the enacted bills.

Let's take a further look at the chart. President Reagan made tax relief a cornerstone of his successful 1980 campaign. His election helped Republicans attain a narrow majority for the first time in over a generation. The House remained in Democratic hands. In 1981, President Reagan proposed and Congress agreed to a large tax cut. Here it is. On average, if fully implemented, it meant a tax cut of almost \$111 billion per year. Over time, the Democratic House pushed for and President Reagan reluctantly agreed to some smaller tax increases. They are here.

During the 1984 campaign, President Reagan made revenue neutral tax reform a central part of his campaign for re-election. Republicans held the majority in the Senate in that election. President Reagan had built the case for reform.

Republicans in the Senate and Democrats in the House agreed and the chart reveals tax reform right here. In 1986, Republicans lost the Senate. I remember that well because I lost my seat on the Finance Committee because our conference shrank. Congressional Democrats insisted on and obtained a tax increase in 1987.

In 1988, George H.W. Bush's campaign included a pledge to not raise taxes. President George H.W. Bush won that election. Congressional Democrats solidified their majorities. As part of a deficit reduction package, President George H.W. Bush agreed to a tax increase. Here it is.

Shortly after that tax increase went into effect, the American economy went into recession.

In 1992, Bill Clinton, in response to the recession, campaigned on a middle class tax cut and tax increases on high-income taxpayers.

President Clinton was elected and Congressional Democrats retained comfortable majorities in the House and Senate. In 1993, less than a year later, on the force of Democratic votes alone, the largest tax increase of the modern era was enacted. Here it is. The Democratic Congress approved and President Clinton signed into law a tax increase that would average over \$47 billion per year. You'll note that it is the highest point on the tax increase part of the chart.

Republicans claimed majorities in the House and Senate in the 1994 elections. President Clinton agreed to a revenue neutral small business tax relief package in 1996.

During the 1996 campaign, President Clinton campaigned, once again, on middle income tax relief. President Clinton was re-elected. Republicans increased their majority in the Senate and retained their majority in the House. In 1997, Congressional Republicans and President Clinton agreed on a significant tax relief package. It was the first tax relief law since the Reagan Administration. It averaged about \$13 billion per year. Here it is on the chart.

George W. Bush campaigned on a broad-based tax relief plan in 2000. President Bush was elected in 2000. The parties split the Senate 50-50 with Republicans in control by virtue of Vice-President Cheney. Republicans held their House majority. In 2001, President Bush and Congress agreed on the largest comprehensive tax relief package since the Reagan era. Here it is. That package averaged \$82 billion per year.

Shortly thereafter, Democrats gained control of the Senate with Senator Jeffords' switch. In the wake of 9-11, corporate scandals, and other events, President Bush, a Republican House, and Democratic Senate agreed on an economic stimulus package that averaged about \$12 billion a year.

Republicans regained the Senate majority in the 2002 elections. In 2003, President Bush and the Republican Congress continued to significantly reduce the overall tax burden. Here are the 2003 and 2004 tax relief bills. Those bills combined for about another \$82 billion per year. If you look at President George W. Bush's first term, enacted legislation totaled roughly \$174 billion per year on average. Republicans held the House for all of that term. Republicans held the Senate for most, but not all, of that term.

In 2004, President Bush campaigned for re-election by emphasizing permanence of the lower tax burden secured during his first term. Republicans increased their House and Senate majorities. In 2006, President Bush and the Republican Congress extended the tax relief from the first term through 2010. It is shown here. That legislation reduced taxes by an average of \$22 billion per year.

In 2006, Democrats gained majorities in the House and Senate. Despite the opposition of the Democratic Leadership in the House and Senate, Congress passed and President Bush signed un-offset alternative minimum tax ("AMT") patch legislation. That legislation averaged \$13 billion

in tax relief. This year, Congress and President agreed to \$34 billion in temporary economic stimulus.

At present, the Democratic Congress and President Bush are at a stalemate on an AMT patch extension and other expiring tax relief matters. The reason for the stalemate is the House and Senate Democratic Leadership's opposition to passing these bills un-offset.

I want to use one chart to sum up today's discussion. This chart shows a tax thermometer. The heat side is the tax increase side. This chart shows the relationship between party control of the Congress, the Presidency and tax hikes or tax relief. If Republicans control the Presidency and Congress, then lowering the tax burden, which is a tenet of Republican philosophy, is virtually certain to be put in place. If Democrats control both the Presidency and Congress, then an increase in the tax burden is certain to occur.

This is a virtual certainty regardless of campaign rhetoric to the contrary. If the parties split control of the Presidency and Congress, the record is mixed though generally against tax relief. We have about three decades of history that back this up. I'd encourage everyone to take a look at it.

When folks go to the voting booth on November 4th, they'll need to consider the probability of a change in fiscal policy. They'll need to consider the potential change to their family budget from higher or lower taxes. They'll have to also think about the broader economic effects of a higher or lower tax burden on business and investment. That change could be dramatic if they vote for one party to control the House, Senate, and Presidency.

In my next discussion, I'll follow up this one with a detailed examination of what happened in the last bit of history most like the present. I'm referring to the 1992 campaign and the legislative record that followed in 1993.

I yield the floor.