Does Cutting Taxes Create More Tax Money

Location **Florida**
https://www.genclassifieds.com/x-786696-z

QR Code Link to This Post Depression of 1920--21

The Depression of 1920--21 was an extremely sharp deflationary recession in the United States, shortly after the end of World War I. It lasted from January 1920 to July 1921.The extent of the deflation was not only large, but large relative to the accompanying decline in real product.

The recession lasted from January 1920 to July 1921, or 18 months, according to the National Bureau of Economic Research.

The recession of 1920--21 was characterized by extreme deflation -- the largest one-year percentage decline in around 140 years of data.

The Department of Commerce estimates 18% deflation, Balke and Gordon estimate 13% deflation, and Romer estimates 14.8% deflation. The drop in wholesale prices was even more severe, falling by 36.8%, the most severe drop since the American Revolutionary War. This is worse than any year during the Great Depression.

http://en.wikipedia.org/wiki/Depression_of_1920%E2%80%9321

The president was Warren Harding (1865-1923), who shrewdly believed that if tough adjustments must be made -- such as from a wartime economy to a peacetime economy -- the most humane policy is to get through the inevitable adjustments as fast as possible. Although the intention of bailouts and relief programs is to relieve misery, Harding recognized that such policies undermine incentives to make adjustments rapidly and can end up prolonging misery.

Harding cut spending about 50%, he cut taxes about 40%, and he started paying down the debt. There were no bailouts, no "stimulus" programs, no entitlements, no government employee unions, none of the things that made it extremely difficult for later presidents to cut spending.

Although FDR's New Deal was plagued by unemployment that averaged 17% throughout the 1930s, and now Obama is plagued by chronic 9% unemployment, Harding's policies helped turn around the American economy within 18 months. The Roaring Twenties were underway in 1922. Harding died in August 1923, but his successor Calvin Coolidge (1872-1933) continued his policies. Consequently, during the 1920s, taxes and spending were cut 50%, and about 30% of the national debt was paid off. There were budget surpluses every year during the 1920s. Unemployment dropped to 1.8%, the lowest in more than a century. There were plenty of jobs.

Economic historians have acknowledged Harding's remarkable success. John M. Peterson and Ralph Gray, for instance, reported that "The postwar depression set records both for the rapidity of the 1921 contraction and for 1922's rapid climb back to prosperity." Gary M. Walton and Hugh Rockoff wrote that the policies launched by Harding "added to an environment that produced unparalleled business prosperity. Spectacular advances in the production of consumer durables, electric power, new appliances, suburban housing, and city skyscrapers highlighted the decade." According to economist Stanley Lebergott, "The gain in the standard of living during the 1920s was without precedent in U.S. experience."

http://www.cato.org/pub_display.php?pub_id=13561

Kennedy's Supply-Side Economics

But with recessions in 1953, 1957, and 1960, a true economic boom was not restored in America until the Kennedy tax cuts of the 1960s. Kennedy was surrounded by Keynesians who were willing to support some tax cuts focused on stimulating demand. But President Kennedy himself had a supply-side understanding focused on tax rates, saying, "It is a paradoxical truth that tax rates are too high today, and tax revenues are too low and the soundest way to raise the revenues in the long run is to cut the tax rates. . .. [A]n economy constrained by high tax rates will never produce enough revenue to balance the budget, just as it will never create enough jobs or enough profits."

Domitrovic explains that in 1958 a young Robert Mundell, destined to win the Nobel Prize in 1999, first began to explicitly advocate the supply-side policy mix, first from his perch at the IMF, then as a Professor of Economics at the University of Chicago. Domitrovic quotes Mundell as explaining that President Kennedy overruled his Keynesian advisors and "reversed the policy mix to that of tax cuts to spur growth in combination with tight money to protect the balance of payments," the exact supply-side agenda Mundell had been advocating, though Mundell disclaims having influenced Kennedy directly. Mundell continues, "The result was the longest expansion ever [up to that time] in the history of the U.S. economy, unmatched until the Reagan expansion of the 1980s."

Kennedy's business tax cuts were adopted in 1962, and the personal rate cuts in 1964. The top income tax rate was slashed from 91% to 70%, with the lower rates reduced by similar proportions across the board. The next year, economic growth soared by 50%, and income tax revenues increased by 41%! By 1966, unemployment had fallen to its lowest peacetime level in almost 40 years. U.S. News and World Report exclaimed, "The unusual budget spectacle of sharply rising revenues following the biggest tax cut in history is beginning to astonish even those who pushed hardest for tax cuts in the first place." Arthur Okun, the administration's chief economic advisor, estimated that the tax cuts expanded the economy in just two years by 10% above where it would have been.

http://spectator.org/archives/2010/07/28/the-timeless-principles-of-ame

In his first year in office, Reagan signed the Economic Recovery Tax Act of 1981. It lowered the top tier tax bracket rates from 70% to 28%. Reagan is known for his tax cuts and lower-taxes philosophy. Real gross domestic product (GDP) growth recovered strongly after the 1982 recession and grew during his eight years in office at an annual rate of 3.85% per year.

Eighteen million new jobs were created,(18,000,000) while inflation significantly decreased. Federal Income Tax receipts almost doubled from 1980 to 1989, rising from $308.7 Billion to $549.0 Billion. Reagan's policies proposed that economic growth would occur when marginal tax rates were low enough to spur investment, which would then lead to increased economic growth, higher employment and wages.

Ronald Reagan was known for his less-government intervention views. Reagan's tax policies invigorated America's economy and contributed to the economic boom of the 1990s.

When Reagan ran for re-election against Walter Mondale in 1984, he carried 49 of the 50 states, becoming only the second presidential candidate to do so.

Trump to Deliver One of Biggest Tax Cuts Since Reagan, Aide Says
August 5, 2016

Donald Trump will propose one of the biggest tax cuts since the days of Ronald Reagan in a new economic blueprint to be unveiled next week, according to an adviser to the Republican presidential candidate.

"If you're a working-class American, there's no question that an agenda that cuts taxes, that gets rids of regulations, redoes some of these trade deals in ways that are pro-America, is going to help,"

http://www.bloomberg.com/politics/articles/2016-08-05/trump-to-deliver-one-of-biggest-tax-cuts-since-reagan-aide-says

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Turns out, when you cut the size of government and lower taxes, the economy booms and more money goes into the Treasury.

Who?