

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>

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

Who?