



# HOUSE BUDGET COMMITTEE

## Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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### Despite Supply-Side Claims, Revenues Are Down

Dear Democratic Colleague:

Defying history, supply-side economics is back. Advocates of large tax cuts, disproportionately targeted to those who need the help the least, are claiming budgetary success for their forays of the last four years. They state that their tax cuts are increasing revenues.

Don't be fooled.

The attached chart puts the picture in perspective. In the three years from 1997 to 2000, individual income tax revenues jumped by \$267 billion, or more than 36 percent. In 2001, President Bush projected that, even with his tax cuts, revenues would grow by another \$88 billion over another three years, to 2003. Instead, revenues *dropped* by \$210 billion, or 21 percent — almost all the way back to where they were in 1997.

This year, after that unprecedented three consecutive years of individual income tax revenue declines, taxes finally hit bottom and bounced — a little. The Congressional Budget Office (CBO) expects revenues at about \$811 billion, an increase of just \$18 billion, and \$307 billion less than the Administration projected back in 2001. And it is this small rebound that supply-siders now characterize as “our tax cuts are increasing revenues.”

The attached chart holds a clear lesson for those who believe that they can balance the budget by cutting taxes.

Sincerely,

/s

John M. Spratt, Jr.

Ranking Democratic Member

# Revenues Collapse Under Republican Policies

