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KENNEDY AND REAGAN TAX REDUCTIONS – FREQUENTLY MISREPRESENTED!



By Stephen L. Bakke  December 25, 2017

Here's what provoked me:

I get sick and tired of listening to Democrats denying any possible benefits from cutting taxes. I understand that it doesn't deserve "holy grail" status but bottom line, tax cuts are definitely expansionary and will have positive effects over time, unless all those benefits are used for large spending increases. Democrats often point to the Kennedy and Reagan tax reductions as proof of their doom and gloom proclamations. So, I took a look at the actual data.

Here's my response:

Kennedy and Reagan Tax Reductions: Frequently Misrepresented!

We've heard a lot from Republicans about the Kennedy and Reagan tax cuts and how effective they were for expansion and increasing tax revenues. Democrats, on the other hand, claim the Kennedy and Reagan examples as proof that tax cuts will actually cause debt to go up. As usual, the two parties reach very different conclusions about the same historical events. Let's look at the facts.

During the "Reagan Years" tax revenue almost doubled; and during the "Kennedy/Johnson Years," revenues increased by almost 70%. Both represented big relative improvements. For both eras, job creation was far better than in the preceding years. Debt increased only modestly after the Kennedy's tax cuts, but during the Reagan years, debt increased significantly. I wonder why!

Those examples tell me that tax cuts are in fact expansionary in terms of revenue and jobs. It also tells me that debt levels can go up or down following tax cuts, but we need to examine other policies to find out why. We know that revenue increases can't increase borrowings, so that leaves only huge spending increases as the source of significant growth in the national debt during the Reagan era.

We had a spending problem.