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## Think tank: Lower combined tax rate would spur economy

By Journal Record Staff

If the U.S. combined tax rate had been held to 23 percent of gross domestic product from 1950 to 2004, government at all levels would have collected \$61.9 trillion more in taxes, according to a study by the **National Center for Policy Analysis**. "This is enough money to have funded all actual spending programs enacted during that period with no public debt," said Gerald Scully, senior fellow at the conservative think tank based in Dallas. Scully said federal, state and local tax revenues as a share of GDP have not been as low as 23 percent since 1950 and have averaged between 30 percent and 34 percent for years.

While some activities of government contribute to economic growth, Scully determined, when government becomes too large, it slows economic growth. Had taxes been held to the optimum 23 percent of GDP, Scully said, the national economy would have grown at 5.8 percent per year, rather than the actual 3.5 percent. "At the lower rate of taxation, higher growth would have produced more government revenue than the amount government actually collected at higher tax rates," he wrote in the report. Scully said real GDP would have been \$37 trillion by 2004, more than three times greater than the \$10.7 trillion it was. "The average American family

would have more than three times as much real income as it actually has," Scully concluded.

Scully based his conclusions on an econometric model developed for the study. Going forward, he said the model implies that if the tax burden were reduced to the growth-maximizing rate, with economic growth increased, by 2030 real GDP would be almost twice as great as it would be at the lower average rate of growth over the last half century. Scully said the 23 percent of GDP tax rate is consistent with previous studies about the optimal size of government.