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LABOR DAY

Pete du Pont, chairman of the National Center for Policy Analysis addresses the question, "Have America's middle-income workers benefited from the economy?"

Hard work, sound tax policy create opportunities

Opinion by Pete du Pont

Recognizing the contributions that working Americans make to the strength, prosperity and well-being of our country is what Labor Day is about. On this Labor Day, we can also celebrate the strong economic progress and growing opportunities our country and the people working in it are benefiting from.

Thanks to hardworking Americans, we have a country delivering more jobs, higher wages, a growing economy, and lower tax rates and higher tax revenues that are significantly reducing the government's financial deficits.

Yet it's been scantily reported and often ignored by the media. As CNBC's Larry Kudlow often says, "It's the greatest story never told."

How good is our economy? It has grown an average of 3.1 percent annually for the last four and one-half years. And according to the Bureau of Labor Statistics, it grew 3.4 percent in the second quarter of this year.

Economic growth means more people will find work. In fact, more than 8 million net jobs have been created since Labor Day four years ago, including 1.9 million in the last year. America's economy has been adding jobs for 47 consecutive months, so unemployment has fallen from 6 percent in 2003 to a steady 4.6 percent for the last 19 months.

The productivity of working men and women and the wages they receive are increasing, too. Productivity has increased 2.8 percent per year since 2001, making it above the average for the '70s, '80s and '90s.

In January 2001 wages averaged \$14.30 per hour, and in July of this year \$17.45, an increase of more than 22 percent, or about 3.1 percent per year. At the same time inflation has remained relatively flat, averaging 2.7 percent since 2001, and for the first half of this year it has been an even better 2.5 percent.

Real wages — wages adjusted for inflation — in the past 12 months have risen 1.3 percent more than the average for the entire 1990s. And according to the U.S. Census Bureau, the number of households earning more than \$50,000 per year grew from 43 percent in 2001 to 46.7 percent in 2005.

Finally, America's increase in the exports of goods and services is strongly boosting our economy. With an overall increase from 35 percent to 44 percent over the last six years compared to the previous six, exports have increased by \$441 billion since 2001. Export trade represented 10.4 percent of the Gross Domestic Product in 2005 and was up to 11.4 percent in 2006.

So what has generated all this progress? Good people working hard are one reason; the economic policies of the current administration are another.

Reducing the income, capital gains and dividend tax rates

have stimulated economic growth beyond the expectations of the political establishment.

The tax rate reductions have caused such economic growth that the income, capital gains, dividend and corporate income tax receipts have increased by more than one-third — 37 percent — over the last three years.

Indeed, as The Wall Street Journal pointed out, April 24 "marked the single biggest day of tax collections in U.S. history." And that has both grown the economy and driven the federal deficit down significantly — from 3.5 percent of 2004's GDP to an estimated 1.5 percent of the GDP for this year.

On this Labor Day we can be thankful that the sound tax and economic policies of our

government have produced more opportunities for more Americans than we have seen in many years.

Pete du Pont is chairman of the National Center for Policy Analysis, a conservative free-market think tank. For information on the center or to contact du Pont, go to www.ncpa.org