

No. 91 UPDATE
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SELECTED HERITAGE FOUNDATION STUDIES ON TAXES AND ECONOMIC GROWTH

Backgrounder #1086, *The Historical Lessons of Lower Tax Rates,*

by Daniel J. Mitchell (July 19, 1996)

Economic evidence proves that when tax rates are reduced, the economy prospers, tax revenues grow, and lower-income citizens bear a lower share of the tax burden. Examining three decades—the 1920s, the 1960s, and the 1980s—Mitchell shows how tax policy can affect the economy and the Treasury, and provides suggestions for changes to tax policies in the 1990s.

Heritage Lecture #565, *Taxes, Deficits, and Economic Growth,*

by Daniel J. Mitchell (May 14, 1996)

Comparing the two dominant schools of thought on the causes of economic growth, Mitchell examines whether a balanced budget or a lower tax rate will achieve greater economic response. The lecture analyzes the impact of a flat tax on economic growth and investment.

Backgrounder #1078, *Is There a “Clinton Crunch”? : How the 1993 Budget Plan Affected the Economy,*

by Scott Hodge, William Beach, John Barry, Mark Wilson & Joe Cobb (May 1, 1996)

This report examines the effects of the 1993 federal budget plan and uses an economic model to measure the “Clinton Crunch,” a combination of higher tax rates and lower real wages. The study shows how the Clinton economic plan resulted in slower growth as compared with previous economic expansions.

Heritage Lecture #569, *The Flat Tax: Revitalizing the American Dream,*

a Heritage Foundation Symposium featuring Walter Williams, J. Kenneth Blackwell, John Fund & Steve Forbes (April 8, 1996)

Government taxation and spending have reached intrusive levels in our economy and personal lives. The best way to solve the problem, the panelists argue, is to enact a flat tax that reduces the tax burden on workers and businesses, while restricting Congress’s ability to take money out of the economy. Additionally, by limiting government spending and enacting laws requiring a two-thirds supermajority vote to raise taxes, Congress would go a long way toward alleviating the fiscal burden the federal government places on citizens.

FYI #90, *How the Arme-y-Shelby Flat Tax Would Affect the Middle Class,*

by William W. Beach & Daniel J. Mitchell (March 12, 1996)

Analyzes exactly how much average taxpayers would save under the proposed Arme-y-Shelby 17% flat tax. Three tables show the amount of savings within specific income brackets.

FYI #87, *Worst Case Scenario: Flat Tax Would Boost Home Values by 7 Percent or More,*

by William W. Beach & Daniel J. Mitchell (February 12, 1996)

A widely quoted analysis of the economic effects of the flat tax on housing prices shows a 15% drop in housing values. That study's methodology, however, is seriously flawed. This Heritage econometric analysis shows a 7% to 14 % increase in home values.

FYI #86, *The Flat Tax Cuts Individual Income Taxes in Every State,*

by William W. Beach & Daniel J. Mitchell (February 7, 1996)

Comparing a 17% flat tax and a 20% flat tax to current tax rates, this state-by-state breakdown shows the savings states and individuals will experience under a flat tax.

FYI #85, *Why Liberals Should Support the Flat Tax,*

by Daniel J. Mitchell (February 7, 1996)

Presents eight features of a flat tax that one would assume to fit the liberal agenda. Income-based charts show the equality and effectiveness of a flat tax, illustrating how rich taxpayers would pay more in taxes and people who make less than \$30,000 would pay no federal tax.

Backgrounder Update #268, *Making Sense of Competing Tax Reform Plans,*

by Daniel J. Mitchell (February 22, 1996)

Compares the main points of the Forbes, Gramm, and Buchanan flat tax plans, along with the report of the (Kemp) National Commission on Economic Growth and Tax Reform.

Backgrounder #1055, *Which Tax Reform Plan is Best for America?,*

by Daniel J. Mitchell (September 26, 1995)

Examines the problems with the current tax system and compares it to a number of tax reform proposals including the Army-Shelby flat tax, the Specter flat tax, the Value-added tax, the National Sales Tax, the Nunn-Domenici USA tax, and the Gephardt 10 percent tax.

NOTE: Backgrounder #1055 and Backgrounder Update #268 use the same criteria to grade the specific tax reform plans.

Backgrounder #1035, *Jobs, Growth, Freedom, and Fairness: Why America Needs a Flat Tax,*

by Daniel J. Mitchell (May 25, 1995)

This flat tax analysis examines the positive effects of a flat tax on the economy, including producing economic growth and national wealth, providing simpler filing requirements, and increasing tax collections from the wealthy.

Talking Points, *A Brief Guide to the Flat Tax,*

by Daniel J. Mitchell (March 22, 1995)

Provides a brief explanation of how the flat tax works and answers some common questions about the tax, emphasizing economic growth and filing simplicity.

NOTE: All of the studies described above can be obtained from The Heritage Foundation's Publications Department, 1-800-544-4843. In addition, these studies are available on Heritage's home page on the World Wide Web, <http://www.heritage.org>.

Scott Ellis and Kristie Reed assisted in the compilation of this information.