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# Time for Congress to End the Highest Tax Burden in History

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One of the first orders of business for Congress when it returns in June will be to reach a compromise agreement between the different budget proposals passed by the House Budget Committee and the Senate for fiscal year (FY) 1999. Regardless of which version the outcome most resembles, the compromise agreement is likely to mark one of the most extraordinary reversals of core policy values ever undertaken by a congressional majority.

When the current majority took control of Congress in 1995, the leadership declared its commitment to eliminating outdated government programs, shrinking the scope of the federal government, returning responsibilities to the states, and cutting the tax burden on businesses and families. But during the 105th Congress, this same leadership has produced back-to-back federal budgets that still include expensive and unnecessary remnants from New Deal, Square Deal, Fair Deal, New Frontier, and Great Society programs. Incredibly, this Congress produced in FY 1998 the highest federal peacetime tax burden in the history of the United States, according to the Congressional Budget Office (CBO). Indeed, only in 1944 and 1945—when the United States and its allies were locked in a two-front global war—has the burden been higher (at 21.3 percent and 20.8 percent of gross domestic product [GDP], respectively, compared with 20.1 percent today).

## DEMOCRATS HAVE DONE BETTER

To illustrate this comparison further, today's tax burden is higher, as a proportion of GDP, than President Lyndon Johnson's (D) Vietnam War budget (19.7 percent in 1969), and the budget produced by the last Democrat-led Congress, the FY 1995 budget (18.8 percent). Despite this record peacetime tax burden, both the Senate- and House Budget Committee–passed budgets for FY 1999 propose five-year tax cuts of, respectively, only $30 billion (0.3 percent of projected tax revenues) and $100 billion (1.0 percent of such revenues).

Compared with past tax relief provided by both Republican- and Democrat-controlled Congresses, the FY 1999 proposals are remarkably anemic and will perpetuate a record-level shift of resources from American families to the federal government. To put these proposals into perspective, the tax relief they contain would amount to only a tiny fraction of former House Speaker Tip O'Neill's (D–MA) proposed five-year tax cut of $627 billion ($1.3 trillion in today's GDP share), which was offered in 1981 as an alternative to President Ronald Reagan's (R) $747 billion cut ($1.6 trillion in today's GDP share). Achieving just half of what President Reagan achieved would require Congress to cut $800 billion, or 8.6

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percent, from the anticipated revenues between now and FY 2003.

## ALTERNATIVE SOLUTIONS

Placed in the context of past major tax relief efforts, including those that occurred when the budget was in deficit and the economy was stagnant, former Republican vice presidential candidate Jack Kemp's challenge to cut taxes by $1 trillion dollars over the next five years—or just 11 percent of the total revenues expected to be collected—seems quite modest. It is especially modest when compared with what was accomplished by Tip O'Neill's 97th Congress, or by the Democrat-controlled 88th Congress that enacted President John Kennedy's (D) tax cuts. But even if this is too much for Congress to accomplish today, perhaps a suitable benchmark for which to strive might be to lower the tax burden to that produced in 1995 by the last Democrat Congress and the Clinton Administration (18.8 percent). Achieving this mark would require a $96 billion tax reduction in FY 1999 (or 5 percent), a level of relief more than 5 times that proposed by the House Budget Committee and 15 times greater than the $6 billion proposed by the Senate—the latter an amount smaller than the CBO's typical estimation error.

## CONGRESSIONAL RELUCTANCE

Congressional leaders justify their reluctance to provide such a level of tax relief with a variety of excuses, including a desire to fulfill last year's Balanced Budget Act (BBA), save Social Security, pay down the national debt, or to offer similar alibis suggestive of fiscal prudence. However worthy such goals may be, they did not prevent either the House or Senate from violating them all when Congress enacted the $216 billion highway bill in May 1998, which exceeded the BBA by $18 billion. Nor did these goals prevent the Senate from proposing to increase spending in FY 1999 for 9 of the 12 major discretionary program areas. Even the Corporation for Public Broadcasting, slated for elimination in 1995, will get a 20 percent boost in FY 2000. Meanwhile, the Appalachian Regional Commission, created in 1965 and also slated for termination in 1995, will be elevated to an entitlement by gaining ongoing access to the highway trust fund.

Notwithstanding earlier commitments to the fundamental reform and scaling back of government, the congressional budget proposals largely accept a federal establishment as it was in 1995—but at higher levels of funding for most domestic programs. Although Congress did succeed in 1995 in eliminating or defunding such outdated and marginal agencies as the Susquehanna River Basin Commission and the Advisory Commission on Intergovernmental Relations, for the most part it has been content to serve as curator to the bureaucratic antiquities accumulated by its predecessors.

## A REAL TAX BREAK

Congress's commitment to the policies and programs of the past stands in marked contrast to the extraordinary dynamism that now sweeps through America's scientific and academic establishments and to the creative energy of the country's hard-charging commercial sector that leads the world in new products, job and wealth creation, technological development, and productivity growth. It also stands in contrast to the policies of state and local governments, in which governors and mayors are experimenting with innovative and creative approaches to governance and to providing public services.

Although the Senate has passed its budget resolution, the proposal of the House Budget Committee still must face floor consideration and a vote of the full House. The House floor deliberations on the FY 1999 budget offer Congress the opportunity to rethink the types of goals that should be embodied in the budget, and the last chance to pass an FY 1999 budget resolution that offers American families and workers substantial tax relief—a goal made more achievable by the surge in federal revenues.

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*NOTE: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.*