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Bush's Plan For $1 Trillion in Tax Cuts: Two UD Professors Comment on Program's Effects

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Contact: Jim Pickering
pickering@udayton.edu

NEWS TIPS

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FEDERAL SURPLUS BELONGS TO TAXPAYERS — President Bush's proposal to cut more than $1 trillion in taxes over the next 10 years would be a "healthy shot in the arm" for the U.S. economy, says a University of Dayton professor of economics.

"Generally, it's a very good idea — tax cuts, I think, are always a good idea," says John Rapp, the University's associate dean of the School of Business Administration and an economist. "It should have a stimulative effect for the economy."

When he hears "government surplus," Rapp says he thinks of "American citizens being overcharged for taxes paid on government services. It's money that belongs to the taxpayer."

Rapp says that, while the tax plan may not immediately boost the economy, it will pay off in the long run. "Any time the economy starts to stagger, which it is doing right now, tax cuts and cuts in interest rates are going to help."

For media interviews, contact **John Rapp** at (937) 229-3731 or via e-mail at john.rapp@notes.udayton.edu.

TAX CUTS WON'T HELP LONG TERM — If Bush is hoping to jump-start the economy with his plan, the president is going about it the wrong way, says a UD assistant professor of economics.

"If the Bush administration thinks it will stimulate the economy in the short run, in hope of avoiding a recession, there isn't a lot of convincing evidence that it will work," Marc Poitras says. "Fiscal policy — in this case, a tax cut — has little if any immediate effect."

Most economists believe a better way to avoid impending recession is to develop a prudent monetary policy by cutting interest rates and "pumping money into the economy that way," says Poitras, who is researching the relationship between federal announcements, such as unemployment and inflation rates, and the stock market.

"In the long run — if people save, invest and work hard — then it's possible the economy would benefit from Bush's tax cuts," he adds.

For media interviews, contact **Marc Poitras** at (937) 229-2419 or via e-mail at marc.poitras@notes.udayton.edu.