Cutting Spending & Cutting Taxes . . .

How similar are the results in terms of affecting the Economy ?

Cutting Taxes

Thirty some years ago President Reagan made large cuts in tax rates and this resulted in a tremendous revival of the U.S. economy. What happened is that more money was left in the consumer economy and people were able to increase their spending. With people buying more products, the stores had to place larger "orders" to re-stock their shelves.

Back in those days, most of the products sold in America were made in America. With the U.S. economy in recession, many U.S. factory workers had been laid-off. The factories and machines were still there just waiting for a revival of our economy so the workers could be rehired and put back to work.

When President Reagan's tax cuts took effect, the large increases in "orders" that the U.S. retailers began sending to the U.S. manufacturers resulted in millions of laid-off factory workers being recalled back to their job. The U.S. economy was back in a healthy and growing mode.

The U.S. economy at this time was basically healthy, it had just had too much tax money taken out of the consumer sector causing the recession. Reducing the amount that the government took *"out"* of the economy allowed the economy to bounce back to its normally healthy condition. We had a domestically-based manufacturing economy. An economy that was self-funding, and was essentially an economy in "perpetual motion".

In President Reagan's "tax-cutting" rescue of our economy, we had the government reduce what it had been **"taking out"** of our economy. In this way our economy was able to essentially revive itself with the added money that became available to the U.S. consumers.

Cutting Spending

Cutting spending, while it sounds somewhat similar to cutting taxes, actually does the exact opposite to our economy. Because the U.S. has lost about 10 million manufacturing jobs since President Reagan's time in office, we have lost the very important "economic-fuel" that the manufacturing payroll provided for our economy. This lost "economic-fuel" has been replaced by the "counterfeit" economic-fuel of government deficit spending.

Where people used to cash and spend their manufacturing paycheck, today many people are now cashing and spending their government-funded check. Today, to a large extent, we have a "government-funded" economy. Reduce spending and we would see a further depressing of the U.S. economy.

By spending more than it takes “in” in taxes, our government’s deficit spending is **“putting money *__into__*”** our economy.   In contrast, with President Reagan’s “tax cuts” we were reducing what the government had been taking “out” of the economy.

Obviously the results of these “cutting” efforts will be the exact opposite. Cut taxes and the economy goes up, and cut spending and the economy will go down.

Summary

It is critical that the GOP begins to understand these two opposing economic facts. Cutting spending will not give us the positive economic results that came from President Reagan’s cutting of the tax rates. We need to bring back the positive economic-fuel of manufacturing payroll *__first__*, then we can begin cutting the “counterfeit” economic-fuel of government deficit spending !

Check out our three videos in our website www.newhopeforamerica.org to see a more graphic explanation of how this can be accomplished.

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