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Mr. Kerry's Math
By R. Glenn Hubbard
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John Kerry has a fiscal surprise in store for voters -- a massive tax increase or a ballooning federal deficit. The latest calculations show that the total of Sen. Kerry's spending and "investment" pledges runs to about \$1.7 trillion over ten years. That's \$1.7 trillion on top of what the government already plans to spend over the same time period.

More than half of Sen. Kerry's spending total comes from what he calls his top legislative priority for his first 100 days in office: a massive new health-care program. Kenneth Thorpe, a former Clinton administration official, now a scholar at Emory, determined that the Kerry health-care plan would cost \$900 billion over 10 years. And Sen. Kerry himself, in a PBS interview, agreed that Mr. Thorpe's analysis is accurate.

In addition to that massive health-care plan, Sen. Kerry made more promises as he campaigned across America -- a few hundred million here, a few billion there. People who have spent time in the federal government may not be fazed by figures in the millions and billions. But by any standard, \$1.7 trillion is real money. And to pay for this new spending? He claims that only some taxpayers will have to foot the bill for his spending kick. On the stump, he insists that only "the wealthiest Americans" -- those making over \$200,000 a year -- would be forced to pay higher taxes in a Kerry administration.

So far, the senator's tax-hike proposals include: raising the top tax brackets, forcing individuals and small business owners to pay higher taxes; resurrecting the death tax, so that farmers and entrepreneurs will be forced to pay the government before they can pass on their life's work to their children; and rolling back the tax cuts on dividends and capital gains, so that Americans will have to pay higher taxes when they save and invest for the future. Such tax increases would be an unwise unraveling of the tax relief signed by President Bush. Even after a recession, the worst terrorist attack in our history, two wars, and major corporate accounting scandals, our economy is the fastest growing of all major industrialized nations. Economic activity has increased for nine consecutive quarters, and growth in the last half of 2003 was the fastest in nearly 20 years. Manufacturing output is increasing. Disposable income is rising. Inflation and interest rates are low. Job creation is also now picking up steam. Payroll employment has risen by 350,000 in the last six months, and the unemployment rate is falling.

By reducing marginal tax rates for workers and small business owners, President Bush's economic leadership has helped put our economy on the path to long-term, sustainable growth. And the president's most recent budget includes moderate increases in spending to achieve the goal of cutting the budget deficit relative to GDP in half over five years. Sen. Kerry's proposed tax increases would jeopardize this progress. And there's a catch -- we don't yet know the full extent of the Kerry tax hikes.

Besides proposing \$1.7 trillion in new spending, Sen. Kerry has pledged to cut the budget deficit in half in his first term. That means that all of his new spending programs must be offset by tax increases or spending cuts -- and he certainly hasn't proposed much in the way of cutting spending. Instead, he claims he can raise taxes on upper-income earners and small business owners to pay for all of his spending plans. But the numbers show otherwise. If you add up all of his proposed tax increases, the extra revenue would be at most \$700 billion over 10 years. That leaves a hole of \$1 trillion.

Laws of math cannot be repealed -- one cannot increase federal spending by \$1.7 trillion over 10 years, slash the deficit over four years, and raise taxes only on those earning \$200,000-plus to pay for the rest. More Americans would pay higher taxes under John Kerry's administration than John Kerry is

willing to let on. Fully funding his promises would require repealing the entire Bush tax cuts, implying large tax increases for lower- and middle-income workers.

Now, Sen. Kerry has been reluctant to offer details about his spending and tax plans for fear of alienating voters as the campaign heats up. But the American people deserve a full accounting of how much a vote for John Kerry in November would cost in the years ahead.

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