

## Tax Cuts for the Wealthy Should be Reversed in N.M.

By GERRY BRADLEY

Research Director, New Mexico Voices  
for Children

Paul Gessing takes an enormous leap of faith in his Oct. 20 opinion piece about the effectiveness of tax cuts.

There is hardly conclusive evidence that the 2003 income tax cuts created any jobs, much less were responsible for the economic growth prior to the 2007 stock market crash. Like the Bush tax cuts, New Mexico's 2003 cuts disproportionately benefited those in the very highest income brackets.

One of the problems with the trickle down sham upon which this tax-cut-as-economic-stimulus strategy is based is that the wealthy can do whatever they want with their tax cuts. They are free to enjoy a European vacation or to park the money in the bank — neither of which will create jobs nor increase incomes for Americans.

A recent column by venture capitalist Garrett Gruener in the Albuquerque Journal makes this valuable point: "None of my investments has ever been motivated by the rate at which I would have to pay personal income tax."

What has motivated them is the presence (or potential) of a thriving market. But when the market isn't thriving because consumer demand is low (that happens when lots of people have lost their jobs or fear that they soon will), investors are more likely to sit on their assets than risk losing them.

So that leaves us with the question of what actually did drive the state's income and job growth in the early years of Richardson's administration. It helps to look at as objective a data source as possible.

When you want to know about job and income growth, that means going to the U.S. Department of Labor. According to the department's Bureau of Labor Statistics, New Mexico's construction industry added more than 11,000 jobs between 2001 and 2007. Construction wages grew by 19 percent during that same time frame.

This growth was caused by the housing bubble.

We know this because when the housing bubble burst, most of those jobs went away.

Between 2008 and 2009, almost 10,000 construction jobs were lost and those who still had jobs found that their wages had flat-lined. Other sectors that are connected to the housing industry, such as financing,

experienced the same rise and fall.

The other major factor in New Mexico's pre-recession job and income growth was the inflation in energy prices, which peaked in the summer of 2008.

Mining employment grew from 15,000 jobs in 2003 to more than 20,000 in 2008, and wages had risen by a third. By 2009, after global energy prices had tanked, 2,600 jobs had gone away and wages had fallen. Sectors such as transportation, which are connected to the energy industry, saw a similar pattern.

This points to a big problem with Gessing's theory: The tax cuts for the rich are still in place, but the jobs and increased income they allegedly created have gone away.

If the tax cuts led to higher incomes or created new jobs, shouldn't that income and those jobs still be here?

In fact, personal income has grown slightly since the onset of the Great Recession. But that was due to an increase in public assistance such as unemployment insurance benefits, food stamps, Medicaid and other programs.

These kinds of payments increase when the economy falters because people need them to replace lost income until they can get back on their feet.

Tax cuts for the wealthy do little, if anything, to create jobs in a bad economy because there are fewer consumers for the products and services those jobs create. Putting money into the hands of those who need it most and are, therefore, more likely to spend it — such as people who have lost their jobs and those working but earning low incomes — helps sustain consumer demand.

Putting money into the hands of people who will use it for a European vacation does not.

The Bush-era tax cuts for the very wealthy should be allowed to expire, as they were intended. Unfortunately, the New Mexico tax cuts did not include a sunset provision, so it will take action by the Legislature and new governor to reverse them.

There seems too little political will for that, which is unfortunate because this would put back some fairness to the state's tax system, which currently extracts the most from those who earn the least.

It would also help the state in making the necessary investment in programs such as education, health care and public safety that are the real foundational infrastructure upon which a healthy economy is built.

New Mexico Voices for Children is a member of Better Choices New Mexico.

Albuquerque  
Journal  
Albuquerque,  
NM  
Circ. 102226  
From Page:  
A9  
10/29/2010  
369190



County:  
Bernalillo





Albuquerque  
Journal  
Albuquerque,  
NM  
Circ. 102226  
From Page:  
A9  
10/29/2010  
369190

