



## Press Release

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### **Tax Cuts Fail to Grow New Mexico Jobs**

**ALBUQUERQUE** -- Data released last Friday by the New Mexico Department of Labor suggest that state and federal income tax cuts are doing New Mexico's economy more harm than good.

#### ***Growth falls far short of projections***

According to the Economic Policy Institute, President Bush's 2001 "Jobs and Growth" tax plan was supposed to create 20,400 jobs in New Mexico between June 2003 and March 2004. Numbers released by the New Mexico Department of Labor on Friday show the tax cut plan falls 8,700 jobs short of its New Mexico goal for that period.

"Despite prevailing rhetoric to the contrary, these numbers show that tax cuts do not stimulate job growth", said Kelly O'Donnell, Research Director of New Mexico Voices for Children.

New Mexico is not unique. The Bush administration tax cuts have failed to meet their projected job growth targets in all 50 states and the District of Columbia. New Mexico stands out because it is the only state in which state income tax cuts similar in structure to the federal cuts are being implemented at the same time as federal tax cuts. If tax cuts actually stimulated employment we would expect New Mexico's state and federal "double whammy" to produce job growth that exceeds, not lags, the administration's projections.

Instead, New Mexico's current unemployment rates are higher than they were when the recession began in March 2001. New Mexico's March unemployment rate was 5.7%, an increase over February (5.6%) and higher than the unemployment rates in both March 2001, when the recession officially began (4.7%), and November 2001, when the recession officially ended (5.1%).

#### ***Job growth lags population growth***

Since March 2003 New Mexico has added 12,500 jobs – but that's an annual growth rate of only 1.6%. And this modest job growth is not evidence of a healthier economy. New Mexico is gaining population faster than it is gaining jobs. Since November of 2001, when the recession ended, jobs in New Mexico have increased only 3.5%. During the same period, New Mexico's working age population (ages 16 to 64)

has increased 4.5%. If job growth since the recession had kept pace with growth in the working age population, New Mexico would have 7,400 more jobs than it does now. Even more troubling, New Mexico has lost 9,400 manufacturing jobs since November 2001, a decrease of 9.4%.

### ***Other reasons for modest job growth***

The New Mexico Department of Labor cites construction, mining, healthcare, and government as the areas of strongest employment growth. Reasons, other than tax cuts, for growth in these sectors are readily apparent:

- Construction employment is being buoyed by builders trying to sell as many houses as possible before an increase in mortgage interest rates drives down the demand for new homes.
- Strength in mining is attributable to higher prices for oil and gas.
- A federal match of \$3 for every \$1 in state funds brings more than \$1 billion each year to New Mexico's economy for health sector jobs.

### ***Tax cuts threaten growth in some sectors***

“Not only do tax cuts fail to stimulate job growth”, said O'Donnell, “they reduce actual growth in some sectors of New Mexico's economy”.

Tax cuts actually *threaten* continued growth in healthcare and government. In New Mexico, government provides 26% of all jobs and 28% of all wages and salaries. Local and state governments (including public schools) have added 4,700 jobs since last year. However, the ability of government to provide good jobs for New Mexicans (not to mention essential state services like public education) will be increasingly compromised as the state income tax cuts phase in and take an ever-larger bite out of the state budget.

The cost of the state income tax cuts will be felt most acutely in the healthcare sector, where most of the new jobs resulted from increased Medicaid funding of home health care.

### ***The bottom line: tax cuts fail***

The Bush administration's failure to revive the US economy through tax cuts provides ample evidence that this approach simply doesn't work. This is especially true for New Mexico, which, unlike the federal government, cannot run a deficit. Our state's constitutional prohibition on deficit spending means that every dollar in state tax cuts must be met with a dollar in spending cuts or increases in other taxes. Spending cuts translate to employment reductions in government and other sectors, such as healthcare, that receive a lot of public funds. Thus, cutting taxes to “stimulate the economy” is essentially a shell game that shifts money from one place in the economy to another, offsetting every “new” job with one that is lost.

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