



NEWS

AMERICANS FOR TAX REFORM

1920 L Street, NW • Suite 200 • Washington, DC 20036
202.785.0266 • Fax 202.785.0261

WWW.ATR.ORG

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CONTACT: Jonathan Collegio
John Santoliquido
202-785-0266

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No Surprise: Wealthy Help Boost Economy

Wealthy using tax relief and incomes to boost spending and spark economic rebound.

WASHINGTON – Since President Bush signed his tax cut package last May, wealthy Americans are putting their money to work in the economy in an even bigger way than before, as they have more to spend. With more cash, better business-tax incentives, and greater confidence in the economy, the affluent have increased spending and have invested more in the stock market and their businesses.

One of the central criticisms of the president's tax cuts was that they disproportionately benefited the wealthy, who wouldn't spend the extra money because they didn't need it. In the five months since the tax cuts went into effect, the wealthy have been telling a different story with their dollars.

“American culture is very much a consumer culture where all Americans, rich and poor alike, spend the vast majority of their income,” said taxpayer advocate Grover Norquist, President of Americans for Tax Reform in Washington D.C. **“People with more money spend more money, which is exactly what we have seen. They use more of their money on consumer purchases, and also own their own businesses and invest in the stock market. The stock market is surging and it is only a matter of time before businesses starting hiring new workers as they seek to expand.”**

Dean Maki, an economist at J.P Morgan Chase & Co., estimates that consumer spending grew at a 6.1% annual rate between February and August, the fastest pace in 16 years. Much of the spending surge comes from upper-income households, whose incomes rose the most as a result of lower taxes. Affluent consumers are big buyers of durable goods and, between January and August, the spending rate on durable goods rose at an annualized rate of 13.5%, compared with a 1.7% increase for nondurable goods.

Mr. Maki disagrees with the conventional wisdom that says the poor will spend extra money whereas the wealthy will only save it. A 2001 Univ. of Michigan study found that low-income and high-income households save and spend similarly. Both groups have penny-pinchers and spendthrifts.

“Money is to be spent; you can't take it with you when you die,” continued Norquist. **“Since the wealthy have more money, they spend more. One of the most overlooked ways that the wealthy spend their money is by employing the poor. As the saying goes, no one ever got a job from a poor man, which is not to disparage the poor but to express the value of wealthy individuals.”**

Americans for Tax Reform (ATR) is a non-partisan coalition of taxpayers and taxpayer groups who oppose all federal, state and local tax increases. For more information or to arrange an interview, please contact Jonathan Collegio at (202) 785-0266 or at jcollegio@atr.org.