



NEWS

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Productivity Up → Inflation, Interest Rates Down

Individual tax cuts and business tax incentives are ensuring inflation-free economic growth

WASHINGTON – The Labor Department (DOL) reported on Tuesday that consumer prices were unchanged in October, indicating that the current economic growth is inflation-free and encouraging the Fed to keep interest rates low. Increases in food and housing costs were offset by falling energy prices and productivity gains.

The Consumer Price Index (CPI), the government's most closely watched inflation gauge, eased last month after rising by 0.3% in both August and September. According to banking and investment firm ING Financial Markets, this **price stability may allow the Fed to postpone raising interest rates for another year.**

“Lower taxes enable and encourage individuals to work harder and businesses to produce more, helping to ensure that inflation is not a problem,” said taxpayer advocate Grover Norquist, President of ATR in Washington D.C. **“The Bush Administration’s reduction of marginal tax rates gave individuals a greater incentive to produce and earn more. Meanwhile reducing capital gains taxes and accelerating depreciation schedules for businesses enables firms to invest in new equipment and technology that allows them to produce more stuff at lower costs. Tax cuts result in higher productivity, period. And we’ll be more productive when taxes are further reduced.”**

While food prices rose in October, energy prices dropped sharply, declining by 3.9% last month after four straight months of going up. That drop was led by the 6.8% decline in gasoline prices, the largest decrease in five months. Meanwhile, fuel oil prices and natural gas prices each fell by 1.5%, while electricity prices slid by 1%. Excluding volatile food and energy prices, “core” prices rose by a modest 0.2%, suggesting that other prices are stable.

DOL third quarter statistics show that productivity rose by a blistering 8.1% annualized rate as company output spiked by 8.8%, the fastest pace since the end of 1992. Unit labor costs also dropped by 4.6%.

“By allowing individuals and businesses to keep more of their money, consumers have been able to buy more and cheaper goods and services, and firms have increased output and have begun hiring new workers” continued Norquist. **“Further tax reductions and continued low interest rates will keep the economy sizzling; the American people will make sure of it.”**

Americans for Tax Reform (ATR) is a non-partisan coalition of taxpayers and taxpayer groups who oppose all federal, state and local tax increases.

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