

# Tax Cut Wish List

## Weekend Reading



On Wednesday, the President announced his plan to cut taxes for Americans, return jobs to America and return the country to economic prosperity. It's a tall order to fill, and the proposed tax reform is a "Christmas Wish List" that will have to be checked twice to determine which parts are "naughty" and "nice." As I [pointed out yesterday](#),

*"The belief that tax cuts will eventually become revenue neutral due to expanded economic growth is a fallacy. As the CRFB noted: 'Given today's record-high levels of national debt, the country cannot afford a deficit-financed tax cut. Tax reform that **adds to the debt is likely to slow, rather than improve, long-term economic growth.**' The problem with the claims that tax cuts reduce the deficit is that **there is NO evidence to support the claim.** The increases in deficit spending to supplant weaker economic growth has been apparent with larger deficits leading to further weakness in economic growth. **In fact, ever since Reagan first lowered taxes in the 1980s both GDP growth and the deficit have only headed in one direction - lower.**"*

### Mind The Deficit

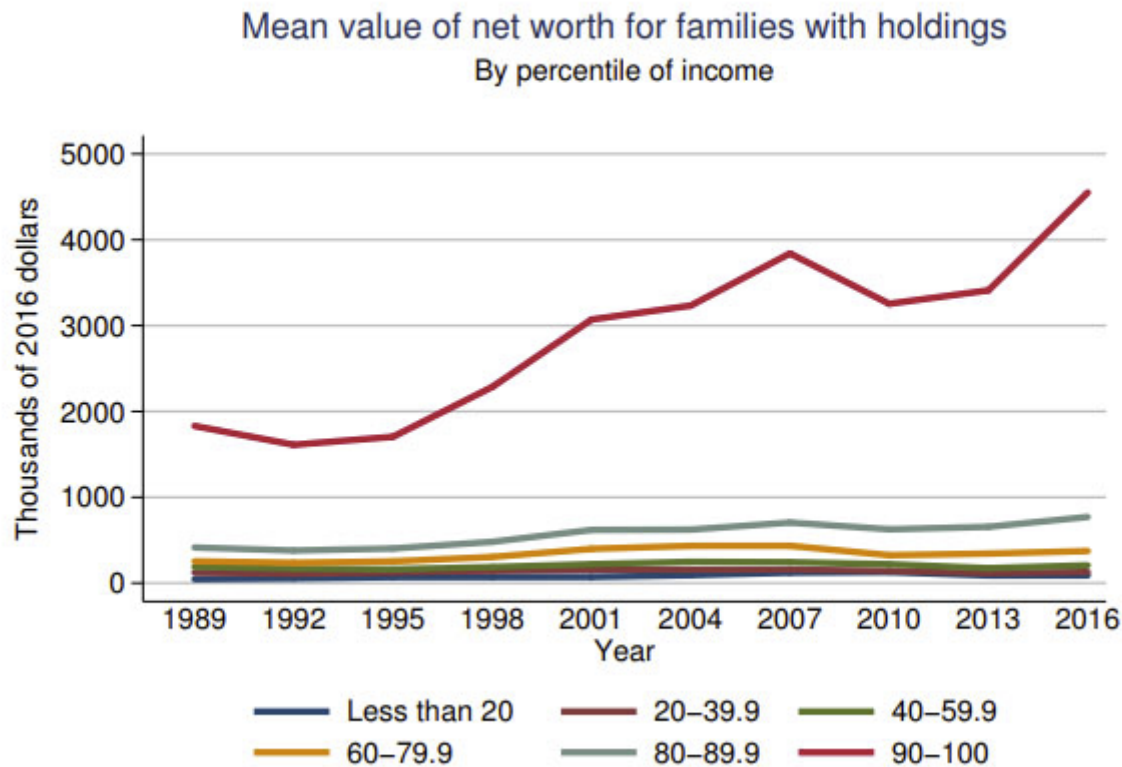
Surplus / Deficit vs GDP 1947-Present

 REAL INVESTMENT ADVICE



That little green bump in the deficit was when President Clinton "*borrowed*" \$2 trillion from Social Security to balance the budget, and since there were no cuts to spending, led a surplus that lasted about 20-minutes. The problem is that the tax plan may not provide the benefits as hoped. While President Trump suggests the plan will return "*trillions*" of dollars locked up overseas to create

arily go  
do not  
at

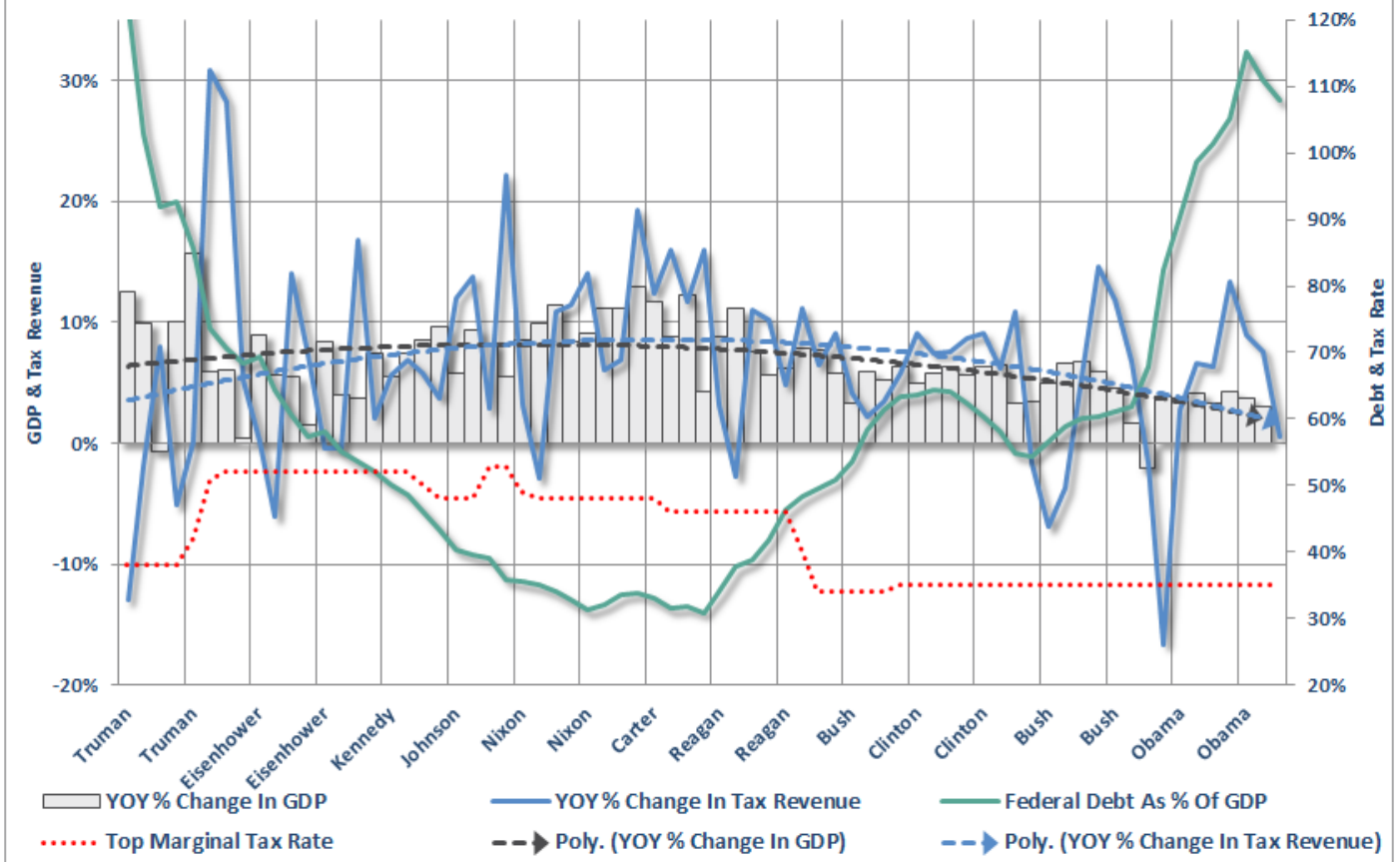


But

here is the key point with respect to tax cuts. **History is replete with evidence that shows tax cuts DO NOT lead to a rapid growth in the economy.** As shown below, the slope of economic growth has been trending lower since the "*Reagan tax cuts*" were implemented.

## Debt - The Real Culprit Of Slower Growth & Revenue

REAL INVESTMENT ADVICE

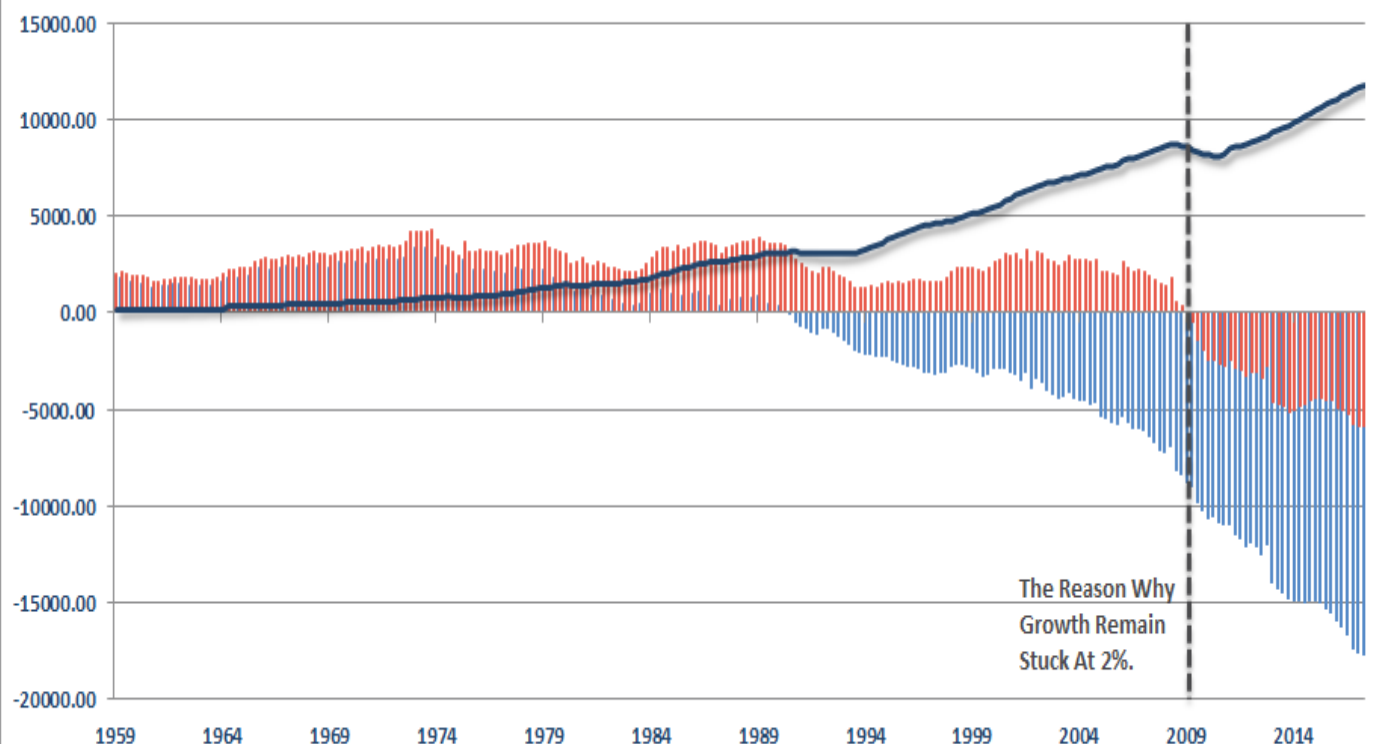


Lastly, tax cuts have relatively low economic multipliers particularly when they primarily only benefit those at the top of the income spectrum. With the average household heavily indebted, credit is being used to sustain the standard of living, there is likely to be little transfer of "tax savings" back into the economy.

*"It is a simple function of math. But the following chart shows why this has likely come to the inevitable conclusion, and why tax cuts and reforms are unlikely to spur higher rates of economic growth."*

## Gap Between Real Disposable Income & Cost Of Living

REAL INVESTMENT ADVICE



As is always the case... **"it's the debt, stupid."** However, here are plenty of discussions both for and against the tax plan so you can decide for yourself.

---

## Trump Tax Cut Plan

- **Separating Fact From Fiction** [by Caroline Baum via MarketWatch](#)
  - **Surveys Of Trump Tax Cuts Are Misleading** [by IBD](#)
  - **Tax Reform - Simpler Code, Lower Taxes, Economic Growth** [by Tony Mecia via TWS](#)
  - **Ignore Naysayers, Tax Cuts Help Everyone** [by Ed Feulner via Washington Times](#)
  - **Do Republicans Care About The Deficit?** [by Jared Bernstein via NYT](#)
  - **It's Crucial That Republicans Pass Tax Cuts** [by Thomas Del Beccaro via Forbes](#)
  - **CEO's Fear Tax Reform Won't Measure Up** [by Shawn Tully via Fortune](#)
  - **I Can't Figure Out The Tax Code** [by Bill O'Neill via IBD](#)
  - **All The Sweet, None Of The Sour** [by Joe Ciolli via BI](#)
  - **Tax Reform, The Time Has Come** [by Wayne Brough via The American Spectator](#)
  - **Most Americans Don't Need A Tax Cut** [by Rex Nutting via MarketWatch](#)
  - **Tax Reform Won't Fix Budget Mess** [by Shawn Tully via Fortune](#)
  - **Fed Is Anticipating Tax Reform?** [by Brian Domitrovic via Forbes](#)
  - **UBS: Tax Reform Won't Happen** [by Tyler Durden via ZeroHedge](#)
  - **GOP Buys Into The "Tax Fairness Lie"** [by IBD](#)
  - **Will Repatriation Really Work?** [by Eduardo Porter via NY Times](#)
- 

## Markets

- **"Wolf Of Wall Street" - Bitcoin Not Viable** [by Shawn Langlois via MarketWatch](#)
  - **Finance Chiefs Growing Pessimistic About The Future** [by Ciara Linnane via MarketWatch](#)
  - **The Real Threat To The Equity Bull Market** [by Nicholas Colas via Bloomberg](#)
  - **The Coming Bear Market?** [by Robert Shiller via Project Syndicate](#)
  - **Ramping Up Policy Normalization** [by Stephen Roach via Project Syndicate](#)
  - **Little Things Mean A Lot** [by Cliff Asness via AQR Capital Management](#)
  - **Will The Fed Hike Us Into A Recession?** [by James Picerno via Capital Spectator](#)
  - **Tech Weakness Can't Kill Bull Market** [by Michael Kahn via Barron's](#)
  - **Chinks In Bull Market's Armor** [by Bryce Coward via Knowledge Leaders](#)
  - **IPO Market Needs Revamping** [by James Mackintosh via Streetwise](#)
  - **Most Stocks Aren't Good Investments** [by Jeff Sommer via NYT](#)
  - **Economic Growth Frustrating Bulls & Bears** [by Joe Calhoun via Alhambra Partners](#)
  - **Janet In Wonderland** [by Ed Yardeni via Yardeni Research](#)
  - **Time To Sell Fangs** [by Doug Kass via RIA](#)
  - **Yields Jump As Bond Traders Reposition For Tax Cuts** [by Mark DeCambre via MarketWatch](#)
- 

## Research•/ Interesting•Reads

- **White House As Trump's New Casino** [by Nomi Prins via The Daily Reckoning](#)
- **Your Investment Risk Isn't What You Think** [by WSJ](#)
- **Socialism Has Yet To Work** [by Richard Rahn via Washington Times](#)
- **FED: We've Been Here Before** [by Scott Sumner via Econlog](#)
- **What Do The Best Investors Do That You Don't** [by Behavioral Value Investor](#)

- **The Death Of Active Management Is Greatly Exaggerated** by [Jeff Troutner via Index Funds](#)
  - **Fed Wrong That Hurricanes Are Economically Good** by [Simon Constable via PJ Media](#)
  - **Mauldin: The Pension Crisis Is Coming** by [John Mauldin via Zerohedge](#)
  - **Bridgewater: Fed Is Making A Huge Mistake** by [Rachael Levy via BI](#)
  - **Investing Is Never Passive** by [Matthew Bartolini via SPDR blog](#)
  - **More Spending Does NOT Drive Employment** by [Bylund via The Mises Institute](#)
  - **Single Most Overvalued Point In History** by [John Hussman via Hussman Funds](#)
  - **Households Are Loaded With Stocks** by [Dana Lyons via Tumblr](#)
  - **All You Need To Know About The Fed In Two Charts** by [Jesse Felder via The Felder Report](#)
- 

***?A bull market is like sex. It feels best just before it ends." - Warren Buffett***

Questions, comments, suggestions ? please [email me](#).