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*Congress of the United States*  
**Joint Economic Committee**

Democrats

108TH CONGRESS

804 HART SENATE OFFICE  
BUILDING  
WASHINGTON, DC 20510-6602  
202-224-0372  
FAX 202-224-5568  
[www.senate.gov/~jec/democrats](http://www.senate.gov/~jec/democrats)

WENDELL PRIMUS  
STAFF DIRECTOR

March 21, 2003

Dear Colleague:

I want to call your attention to a recent commentary on National Public Radio by Everett Ehrlich, Senior Vice President and Director of Research at the Committee for Economic Development. Mr. Ehrlich points out that economic sacrifice is an unavoidable cost of war, yet President Bush continues to press for a massive tax cut that benefits the wealthiest Americans (full text below).

The Republicans' budget will deliver devastating cuts in vital domestic programs such as veterans programs, Medicare, Medicaid, student loans, school lunches, child care, food stamps, and cash assistance for the elderly and disabled poor.

While our troops are preparing for what may be the ultimate sacrifice, surely the wealthiest Americans can forgo a tax cut.

Sincerely,

Pete Stark  
Ranking Member

Text of National Public Radio Commentary by Everett Ehrlich, Senior Vice President and Director of Research, Committee for Economic Development:

*War can do great things. It ended slavery, defeated fascism, drove invaders from Kuwait, and may yet turn Iraq into a garden of democracy. But from an economic perspective, war is an unproductive drain. The men and women who fight, let alone those who die, don't work - the materiel they deploy was built using assets that would have otherwise met human needs.*

*History tells us that economic sacrifice is an unavoidable cost of war. During the Second World War, consumers couldn't buy meat or gasoline without rationing coupons, busses skipped every other stop to save fuel, and buying bonds instead of spending was considered a patriotic duty. The money thus saved was pumped into factory equipment and munitions. It was the picture of Stalinist development - less stuff to buy, but more machine tools to make it with.*

*During the Vietnam War, President Johnson tried to ignore the reality of sacrifice. Instead, he insisted America could have, as he put it, both guns and butter. He could have paid for the war with a modest tax increase, but was unwilling to test the public's resolve. By the time he did, he had set the stage for inflation, the recession of 1970-71, and the ensuing wage-price spiral.*

*The image of Johnson trying to have his cake and eat it too is relevant again, as the Senate determines the federal budget for 2004. That budget contains a placeholder for the Administration's "Jobs and Growth" package -- a tax cut that will cost \$920 billion, including interest, over this decade alone. I can think of a number of reasons to be cautious about this proposal.*

*For one, the economy is slow, but it's not in free-fall, and it's already had a pretty substantial stimulus. Second, stimulus is rarely well-timed. By the time a tax cut reaches taxpayers, the economy could be far better or far worse. And there's the question of whether we can afford it. A temporary deficit is one thing, but this plan would ensure that we faced large and growing deficits that would leave our retirements in jeopardy and our kids with the bill.*

*But this week, there's an even more important reason for caution. We're going to war. If the war goes quickly and well, we can think about tax cuts or whatever else once it's over. If it goes poorly, we'll have wished we had husbanded our resources.*

*The American people are being told once again they can have both guns and butter. But it doesn't work that way. War means sacrifice. Whatever the arguments for a tax cut may be, the wrong time to cut taxes is today.*