**POLICY BACKGROUNDER No. 130**
*For people with limited time and a need to know.*

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# The Case For NAFTA

*"The agreement will create the world's largest open market."*

The North American Free Trade Area (NAFTA) agreement would phase out all tariffs and most nontariff barriers between the United States, Mexico and Canada. The most surprising thing about NAFTA is that there is any controversy surrounding it. Both economic theory and centuries of empirical evidence support the conclusion that free trade means prosperity for all involved. History shows that when countries liberalize trade they grow stronger; when they close their markets they grow weak. A review of the pros and the cons shows that the case in favor of the agreement is overwhelming:

- The agreement will create the world's largest open market, with a population of 360 million and a GDP of $7 trillion.
- In the United States alone, as many as 171,000 net new jobs will be created.
- NAFTA will be a first step toward a hemisphere-wide free trade area, allowing the United States to benefit from a special relationship with an economically fast-growing Latin lion, hungry for imports.

[See the sidebar on Benefits of NAFTA.]

Since the mid-1980s, Mexico has been liberalizing its trade and investment laws in order to invigorate its depressed, debt-ridden, socialized economy. Mexico hopes to build on its new policies through free trade with the United States. America also will gain. Already America's third largest trading partner, Mexico is becoming an ever-larger importer of American goods. [See Figure I.]

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# Benefits of NAFTA

**The World's Largest Market:** NAFTA, which removes trade barriers between the U.S., Canada and Mexico, will create the world's largest market, with a population of 360 million and a GDP of $7 trillion.

**Growing American Exports:** Trade liberalization in Mexico already has allowed American exports to grow from $11.9 billion in 1986 to $40.6 billion in 1992. Under NAFTA, American exports will even rise higher.

**Jobs Created:** Increased trade with Mexico under NAFTA will mean more jobs for Americans. One estimate finds 171,000 more net new jobs for Americans.

**Higher Living Standards for Americans And Mexicans:** Workers can purchase more goods and services with their salaries only if they produce more. NAFTA will allow greater division of labor and higher productivity, raising living standards for all North Americans.

**Keeping Factories in America:** Some American firms locate in Mexico so they can get around high tariffs and sell their products to Mexicans. When trade barriers are removed, factories can remain in America and export to Mexico.

**No 'Great Sucking Sound':** Critics claim that with NAFTA, more American firms will move to Mexico to take advantage of low wages. But low wages and high unemployment in Puerto Rico, which has open access to America's market, have not caused a massive business stampede to that island.

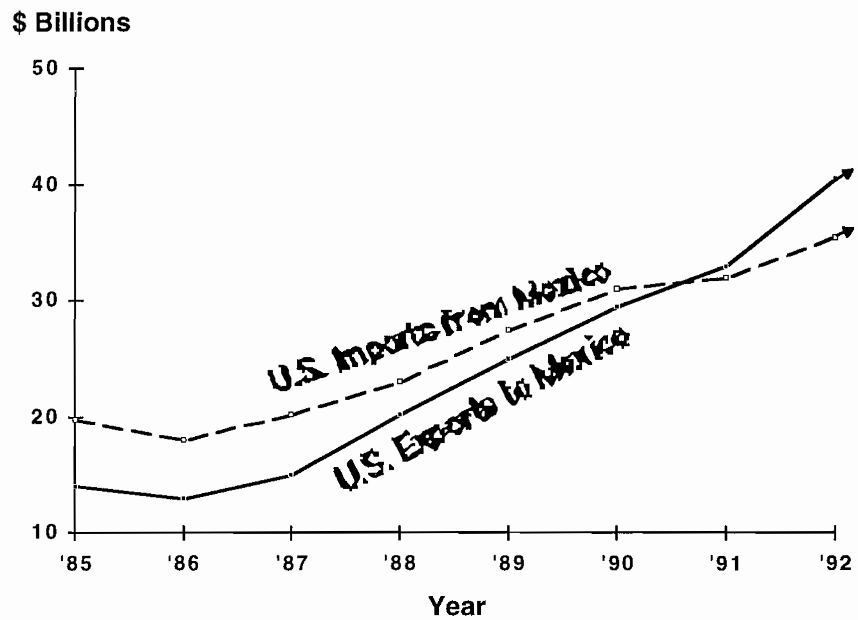
**Helping America's Not-So-Rusty 'Rustbelt':** Some critics claim NAFTA especially will cost jobs in America's northeastern and north central states. In fact, six of the top twelve states exporting to Mexico are from these regions.

**Curbing Illegal Immigration:** As Mexico's economy grows under NAFTA, more Mexicans will find jobs in their own country and fewer will need to flee to the U.S. for economic opportunities.

**Restoring Sovereignty to Individuals:** By removing trade barriers, NAFTA will restore the freedom of individuals to dispose of their property as they see fit, buying and selling without government interference.

FIGURE I

**U.S. — Mexico Trade**




Source: U.S. Department of Commerce.

*"America's exports to Mexico have quadrupled in the past six years."*

- America's exports to Mexico have quadrupled in the past six years, growing from $11.9 billion in 1986 to $40.6 billion in 1992.
- Moreover, America currently runs a trade surplus with Mexico — selling more goods to Mexico than Mexico sells to the United States.

NAFTA creates economic growth and job opportunities for Americans and Mexicans. Free trade is not a zero-sum game in which one side must subsist in poverty if the other is to prosper. Trade encourages more efficient production of goods and services and thus creates greater wealth.

## Principal Provisions of the Agreement

NAFTA basically is an agreement that opens Mexico's market to American exports. Specifically, it brings Mexico into America's existing Free Trade Area agreement with Canada and expands the provisions of the pact. The following are the main elements of the agreement.

**Tariffs.** NAFTA will phase out all tariffs on goods and services traded between the member countries. Mexico's tariffs on American goods currently average about 10 percent, while U.S. tariffs on Mexican products average about 4 percent. [See Figure II.] If the three governments approve

NAFTA, some tariffs will be eliminated immediately when the pact takes effect on January 1, 1994. Other tariffs will be phased out at five-year intervals, with all tariffs eliminated after 15 years. Most trade will be duty-free after 10 years.

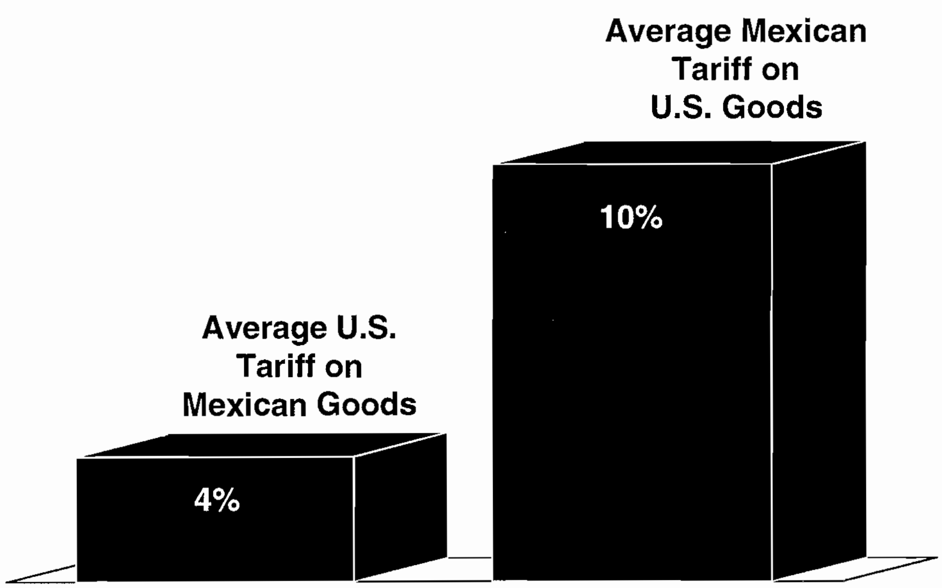
**Rules of Origin.** As with the free trade agreement between the United States and Canada, NAFTA contains rules of origin to prevent nonmember countries from using one NAFTA country as a way to channel goods into another while avoiding tariff or other trade restrictions. The most notable rule requires most motor vehicles to contain 62.5 percent North American content, an increase from the current 50 percent level. Motor vehicle parts constitute America's largest export to Mexico, while parts plus vehicles constitute America's largest export to Canada. This rule of origin is meant primarily to prevent Japanese firms from using assembly plants in Mexico as a way to increase sales of vehicles in the United States.

**Investment.** Although Mexico has liberalized its laws governing foreign investment in recent years, it maintains regulations that mandate exports or require minimum domestic content. For example, car makers are required to export two vehicles for every one they import and 36 percent of the parts and labor used to produce automobiles there must be Mexican. Under

*"NAFTA will phase out all tariffs between the two countries."*

**FIGURE II**

## Current Tariff Levels




Source: International Trade Commission.

NAFTA, these restrictions will be phased out over 10 years. Further, the agreement outlaws discrimination against investors from another NAFTA country and guarantees that profits can be freely repatriated and that foreigners' property cannot be taken without fair compensation.

*"The agreement guarantees that profits can be freely repatriated."*

**Trade in Services.** NAFTA also provides for removal of most barriers to trade in services. This will allow American banks, securities firms and insurance companies — which generally have been barred from Mexico — to operate south of the border. Barriers to trade in other services will be eliminated or reduced as well. In general, NAFTA mandates "national treatment," meaning that whatever freedoms are enjoyed by domestic service providers must be extended to providers from all NAFTA countries.

**Agriculture.** Mexico and the United States will convert their nontariff barriers on agricultural trade into tariffs and phase them out over 15 years. Tariffs will be immediately reduced to zero on 57 percent of the farm trade, reaching 63 percent in five years and 94 percent in 10 years.

**Energy.** The one major sector that Mexico refuses to open to ownership by foreigners is energy-producing minerals, mainly oil. However, in recent years Mexico has allowed foreign involvement in peripheral operations such as supplying equipment, extraction assistance or transport.

**Intellectual Property.** Under NAFTA, Mexico agrees to stricter protection of intellectual property rights to copyrights and trademarks. These cover such things as sound and video recordings, and computer software.[1] Mexico also will have to respect U.S. patents on such items as new drugs — an extremely important change that will benefit one of America's most important export industries. Currently, Mexico allows companies to copy the formulas for drugs developed at great cost by U.S. pharmaceutical companies and pays nothing to the developer. Thus, Mexicans get all of the benefits of America's research and development efforts without sharing any of the costs.

## Economic Benefits For America

Free trade is one of the few issues that economists across the ideological spectrum agree on. Scholars at the liberal Brookings Institute, the moderate American Enterprise Institute, the conservative Heritage Foundation and the libertarian Cato Institute all believe that NAFTA will raise living standards in the United States, Mexico and Canada. Every living American Nobel Prize winner in economics, whether liberal or conservative on other political issues, supports NAFTA. Among the many economic benefits of NAFTA are the following:

**More American Exports.** America's exports to Mexico are likely to continue at high levels under NAFTA for two reasons. First, the removal of Mexico's trade barriers will make more U.S. goods available to Mexicans at cheaper prices. Second, the continued growth of the Mexican economy will result in an expanding market for U.S. exports. As a less developed country converting to a free market economy, Mexico will need to import many products for its modernizing industries and its consumption-hungry citizens.

The experience of the developed countries after World War II suggests what America can expect from NAFTA and from expanded free trade throughout the hemisphere. Primarily through the General Agreement on Tariffs and Trade (GATT), the average tariff level for industrialized countries dropped from 40 percent to 5 percent. By 1960, Western Europe had recovered from the war and rebuilt its economies. Since then, worldwide exports have skyrocketed from $100 billion to over $3 trillion today, and the United States has been a major beneficiary:

- American exports of goods and services have grown from $25.3 billion in 1960 to $640.5 billion in 1992.
- The U.S. Department of Commerce's estimate that every $1 billion in exports supports 22,800 jobs implies that 14.5 million Americans are working to satisfy the growing foreign demand for American products.

**Keeping Factories in the United States.** Contrary to what NAFTA critics maintain, there is little or nothing to stop American businesses from relocating to Mexico. In fact, many already have, and trade barriers are part of the reason. High tariffs and other restrictions keep many American goods out of Mexico. In response to these barriers, many American enterprises have moved to Mexico so they can sell directly to Mexican consumers. By removing these barriers, NAFTA would encourage American firms to stay in the United States.

*"There is little to stop American businesses from moving to Mexico now, and many have."*

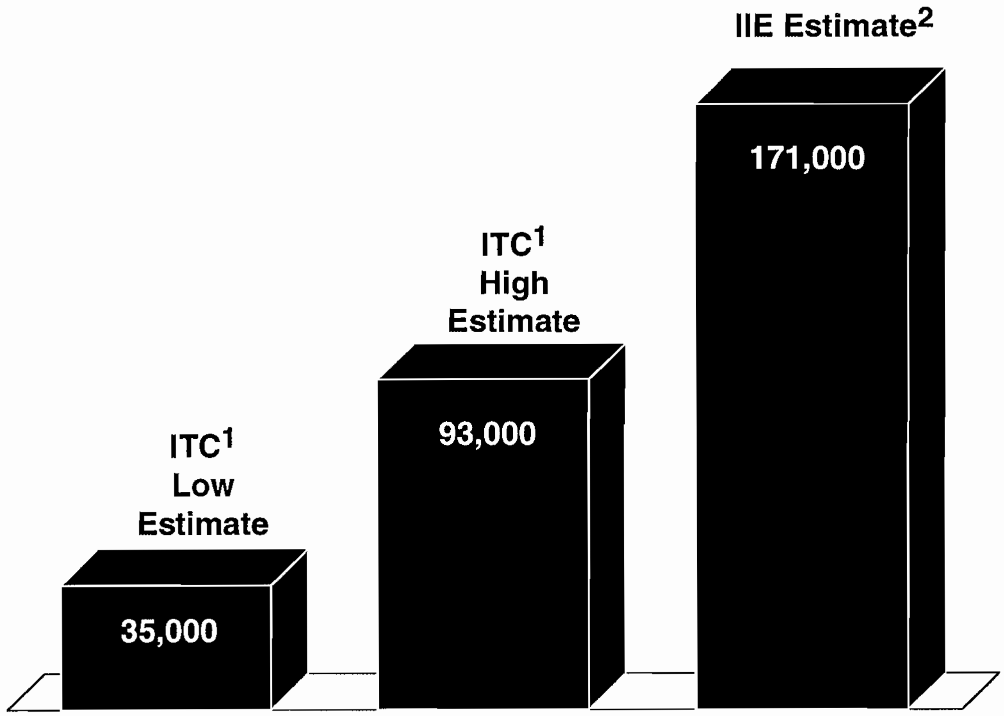
Some critics claim that Mexicans currently purchase little from the United States. They claim that much of the $40.6 billion in American exports to Mexico in 1992 was "round-tripped"; that is, American components were sent to assembly plants in Mexico, counted as exports, then returned as assembled products to the United States. The facts are that some 83 percent of American exports to Mexico are purchased and consumed by Mexicans. Only about 17 percent go into goods that could be reexported to the U.S or elsewhere.[2]

Further, some critics claim that freer trade with Mexico would cause American companies to move south of the border simply to take advantage of low-wage labor. But if this were true, these employers would already have

*"Most studies show that the United States will gain jobs."*

FIGURE III

## Net U.S. Jobs Created by NAFTA




[1] "Potential Impact on the U.S. Economy and Selected Industries of the North American Free Trade Agreement," United States International Trade Commission Publication 2596, January 1993.

[2] Gary Clyde Hufbauer and Jeffrey J. Schott, *NAFTA: An Assessment* (Washington: Institute for International Economics, 1993).

moved to Puerto Rico, an American commonwealth with virtually unrestricted access to the U.S. market. Consider that:

- Puerto Rico, with a population of over 3.5 million, employed some 148,000 manufacturing workers in 1989 at an average annual salary of $14,700.[3]
- The 18.8 million American manufacturing workers in 1990 had an average salary of $28,250.[4]
- Yet even with these lower wages, unemployment in the Caribbean island is over 14 percent,[5] twice as high as the 7 percent rate in the United States.[6]

Although the average Mexican manufacturing wage is about $4.50 per hour, wages make up on average only about 15 percent of the cost of manufacturing in Mexico.[7] Low wages certainly are important for the production of labor-intensive goods employing lower-skilled labor. But other factors usually are even more important. The infrastructure in Mexico is poor.

Transportation costs for shipping parts and products between the United States and Mexico are high. The cost of energy, utilities and other factors of production in Mexico can be high as well. These are only a few of the reasons why many American enterprises prefer to produce goods in the United States. NAFTA will make it easier for them to do so.

**Job Creation.** There have been a number of studies of the effects of NAFTA on jobs. Most show job gains for the United States. [See Figure III.]

- The bipartisan International Trade Commission (ITC) reviewed a number of studies and concluded that NAFTA would lead to between 35,000 and 93,000 new jobs in the United States.[8]
- Gary Clyde Hufbauer and Jeffrey J. Schott of the nonpartisan Institute for International Economics predict that over five years NAFTA will create 316,000 American jobs while displacing 145,000 American workers, for a net job gain of 171,000.[9]

Hufbauer and Schott also compared Mexico to South Korea during the latter's period of economic growth. They concluded that if development patterns between the countries remain similar, as they likely will under NAFTA, Mexico will continue to purchase substantial quantities of American products and produce an increasing number of American jobs.

**Higher Living Standards for Americans.** Rising material living standards result from rising productivity. To be more productive, American businesses must produce more goods and services, given the amount they use of such inputs as labor, capital, land and raw materials. The only way workers can trade their labor for more real purchasing power is if they produce more goods and services. NAFTA will make that possible by allowing a better division of labor. Mexicans and Americans will dedicate more resources to the production of goods and services at which each is most efficient.

*"The competition created by NAFTA will boost America's entrepreneurial spirit."*

Further, the world's leading industrial countries are those that pioneer new products and services. The competition created by NAFTA will boost America's entrepreneurial spirit. The combination of greater competition and a larger market will help America remain the world's most productive economy.

**Helping Northeastern and North Central States.** Some may jump to the conclusion that most benefits of free trade with Mexico will flow to such border states as Texas and California. While these states will benefit, so will others. As Table I shows, of the 12 states with the largest value of sales to Mexico, six are in the northeastern and north central areas. These states will benefit even more under a NAFTA agreement which opens Mexico's market to more American manufactured products.

## The Side Agreements: Offensive but Impotent

The side agreements to NAFTA establish two commissions. President Clinton insisted on an environmental commission to appease U.S. environmental groups that feared Mexico would try to attract foreign investment by lowering its environmental standards or not enforcing its laws. The labor commission was meant to appease American union leaders who feared that lower wages and lax labor law enforcement would pull American factories south of the border. The environmental agreement satisfied only a few environmental groups. The labor agreement satisfied no major labor union leaders.

Each commission consists of representatives of the three NAFTA governments and a secretariat. A principal responsibility of the secretariat is to handle fact-finding investigations. The representatives of the three governments primarily oversee dispute resolution.

*"Of the 12 states with the largest value of sales to Mexico, six are in the northeast and north central areas."*

**TABLE I**

### The Top Twelve Exporters To Mexico

**($ millions, 1991)**

| State | Value of Exports |
|---|---|
| 1. Texas | $15,485 |
| 2. California | 5,526 |
| 3. Michigan | 1,628 |
| 4. Illinois | 1,067 |
| 5. Arizona | 990 |
| 6. New York | 886 |
| 7. Pennsylvania | 693 |
| 8. Louisiana | 618 |
| 9. Ohio | 581 |
| 10. Florida | 578 |
| 11. New Jersey | 452 |
| 12. Georgia | 376 |

Source: U.S. Department of Commerce and the U.S. International Trade Commission.

Some critics fear that the NAFTA labor and environmental commissions — especially the latter — might take away American sovereignty or give radical American environmentalists more power. These are valid concerns. But a review of the provisions for these commissions shows that no real danger exists. The commissions have no power to affect or override American laws and give no special powers to American environmental groups.

**Unneeded Commissions.** Fears that Mexico, under NAFTA, could radically reduce or blatantly ignore its own environmental laws — and induce similar policies in the United States — are ill-founded. There probably is little danger of competition through pollution. Modernization will bring environmental improvements to Mexico, regardless of any agreement with the United States.

*"Mexico already has raised spending on the environment to 11 times what it was in 1989."*

For example, Mexican industry will import more energy-efficient machinery. In addition, only a prosperous country can devote resources to environmental cleanup or worry about environmental concerns. Studies show that a country's environment tends to improve with economic growth. The major ingredients of air pollution decline when a country's gross domestic product exceeds $5,000 per capita — about where Mexico is now.[10] Mexico already has raised spending on the environment to 11 times what it was in 1989.[11] On the other hand, if the Mexican economy weakens without NAFTA, that country will have every incentive to ignore environmental standards.

**The Fact-Finding Function.** The first function of the commissions is fact-finding. The secretariat of the environmental commission can investigate cases called to its attention by private citizens or groups of a country's failure to enforce its own laws. Labor complaints must go through a special office established by each government for that country's citizens. The commissions cannot search for cases or subpoena evidence. They can issue reports of their findings. But the reports don't affect the power of the American people to conduct policy as they see fit.

**The Dispute Resolution Function.** The second function of the commission is dispute resolution. Two NAFTA member governments can require a dispute resolution panel if they believe that another member is engaging in a "persistent pattern of failure to effectively enforce" its own environmental or labor laws regarding a tradeable good or service. But even if a country found to be engaging in such a pattern refuses to change its practices, the panel can levy a fine of no more than $20 million. If the country refuses to pay the fine, the worst the panel can do is allow the aggrieved country to restore certain limited tariffs to pre-NAFTA levels to collect the fine. This is similar to retaliation under GATT. It does not limit sovereignty.

**Allowing Countries to Make and Change Their Own Laws.** NAFTA critics often claim that NAFTA Article 1114 limits America's sovereignty. The article states that "it is inappropriate to encourage investment by relaxing domestic health, safety or environmental standards." But NAFTA contains no mechanism by which member governments can act against alleged violators. NAFTA's hortatory language does not confer legal authority to overrule U.S. laws.

- The preamble to the side agreements urges countries not to reduce environmental standards, but begins by "Reaffirming the sovereign right of States to exploit their own resources pursuant to their own environmental and development policies..."
- Article 3 of the side agreement, while calling for high levels of environmental protection, does so while "Recognizing the right of each Party to establish its own levels of domestic environmental protection and environmental development policies and priorities, and to adopt or modify accordingly its environmental laws and regulations..."

*"NAFTA does not confer legal authority to overrule U.S. laws."*

Finally, radical environmentalists in America cannot use the commissions to impose more regulations on the U.S. economy. According to Article 2021 of NAFTA, private parties have no right of action in U.S. courts based on a commission finding.

## NAFTA Restores Sovereignty to Individuals

Some critics claim that the more the economies of Mexico and the United States become integrated, the less sovereignty the United States will have. But what do these critics mean by "Mexico" and "the United States?" Do they mean the governments of these countries? Do they mean the physical territory?

In fact, Mexico and the United States do not trade anything. Individual Americans and individual Mexicans are the actual merchants and customers. The economy of the United States does not belong to the government. It is not collective or communal property. It belongs to millions of individual private property owners who should be free to use and dispose of their property as they see fit. This freedom includes the right to buy from and sell to Mexicans. By removing the current governmental restrictions on trade, NAFTA restores freedom to the sovereign individual.

# Illegal Immigration

Mexicans flee to the United States primarily to seek economic opportunity. Mexico's economic recession in the early and middle 1980s, caused by its debt crisis, left many of its citizens desperate for jobs. And that country's young population and high birth rate mean that the economy must grow by about 3 percent per year in real terms simply to absorb the new workers entering the labor market. NAFTA makes it more likely that the workers will be absorbed and less likely that they will come illegally to the United States. The more dynamic the Mexican economy, and the more jobs that are created in that country, the fewer Mexicans will have to seek work in the United States.

**Critics' Contradictions.** Some critics who claim that NAFTA will eliminate jobs in America also claim — without explaining their reasoning — that it will mean more illegal immigrants. But if jobs flee to Mexico, why would Mexicans flee to the U.S.? Both criticisms can't be true. In fact, both countries would gain jobs.

**Less Border Development Means Fewer Illegals.** NAFTA likely will result in greater economic activity in Mexico's interior — for example, around Mexico City and Monterey. Currently, much border area economic activity is based on *maquiladora* factories.[12] In the past, Mexico generally allowed only 49 percent foreign ownership of businesses on its territory. But under the *maquiladora* system, a foreigner can own 100 percent of a plant and can import machinery and other inputs duty-free if the enterprise reexports its products. American producers naturally located close to the border.

*"NAFTA makes it more likely that Mexican workers will find jobs in Mexico, and less likely they will come illegally to the United States."*

In recent years Mexico has de facto abolished the limits on foreign ownership, giving American firms more or less open access to its markets. As NAFTA allows economic development to accelerate in Mexico's interior, there will be less reason for that country's citizens to work close to the border and thus less opportunity for them to slip illegally into the United States.

# Illegal Drugs

The involvement of Mexicans in smuggling illegal narcotics into the United States is a constant source of tension between the governments of the two countries. American officials claim, with justification, that the Mexican government has been lax in drug law enforcement and that some corrupt Mexican officials have been involved in trafficking.

**Creating Economic Alternatives to the Drug Trade.** NAFTA will not solve this problem, but it will help to eliminate one of its motivating factors: the lack of economic opportunities. The socialized Mexican economy has offered few opportunities for ambitious individuals wishing to escape poverty and improve their situations. For the most part, individuals had just two choices: they could work for the government and sell favors or protection, or they could become drug dealers. A free market economy creates other opportunities. Under NAFTA, Mexicans will have less need to traffic in drugs.

**Killing NAFTA Kills Cooperation.** Of course, if America rejects NAFTA, the outraged Mexican government will have little incentive to continue cooperating with U.S. efforts to stem the drug trade.

## Lessons From History

In light of the history of free trade versus protectionism, Americans should be eager to open markets in Mexico and the rest of the hemisphere.

**Lessons From Free Trade With Britain.** In the 19th century, Britain became the world's dominant economic power. This was in part because it progressively opened its markets to imports. It realized that a country prospers if it allows the individuals most efficient in producing given goods and services to do so — and to trade for the things they cannot produce as efficiently.

*"American trade protectionism helped to precipitate and prolong the Great Depression."*

**Lessons From America's Free Trade Continent.** While the United States kept trade barriers relatively high in the 19th century, it was free trade — that is, the opening of the interior — that helped to make ours the richest country in the world. The American national enterprise in that century was settling the vast territory of the West. America was a huge free trade area, stretching from the Atlantic to the Pacific, the same distance as between Madrid and Moscow.

**Lessons From the Great Depression.** American trade protectionism in the 1920s and early 1930s helped to precipitate and prolong the Great Depression. American exports dropped from $7 billion in 1929 to $2.4 billion in 1933, while imports during that period fell from $5.9 billion to $2 billion. Unemployment went from 3.3 percent in 1929 to 25 percent in 1933. Gross Domestic Product (GDP) was cut in half during that period, from $103.4 billion to $55.8 billion. Per capita income fell from $850 per year to $445.

## If America Rejects NAFTA, Will Japan Step In?

If America rejects NAFTA, it may not remain the economic leader in a poverty-stricken hemisphere. In today's integrated world economy, bolder competitors likely will move into the position that should belong to the United States.

*"If U.S. policymakers do not approve NAFTA, Mexico's partner of choice almost certainly will be Japan."*

**Incentives for Mexican-Japanese Cooperation.** Japanese policymakers have long followed a strategy of getting in on the ground floor of fast-growing economies. Japan is quite interested in Mexico, and Mexico needs closer economic ties with a large, relatively prosperous economy. So if U.S. policymakers do not approve NAFTA, Mexico's partner of choice will almost certainly be Japan.

## Conclusion

Americans have always been economic pioneers. This pioneer spirit has made ours the world's richest country, with the largest economy and most exports.

Americans need not cower behind protectionist barriers. NAFTA offers us all an opportunity to profit from expanding global markets. And, by freeing trade, NAFTA continues the American tradition of putting individual liberty before government power.

Edward L. Hudgins, Ph.D.
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U.S. Congress

# Notes

[1] Mexico agrees to abide by major international agreements protecting intellectual property, such as the 1971 Berne Convention for the Protection of Literary and Artistic Works and the Paris Convention for the Protection of Industrial Property (1967).

[2] Critics often fail to add that when the products are sent back to the United States, they are counted as imports. Thus, whatever the proportion sent back to the United States, the total rise in volume of exports from $11.9 billion in 1986 to $40.6 billion in 1992 is real.

[3] From the *Statistical Abstract of the United States: 1992,* Economics and Statistics Administration, Bureau of the Census, U.S. Department of Commerce, Table No. 1353, most recent available numbers.

[4] Ibid, Table No. 1243 and 1244.

[5] Ibid, Table No. 1349.

[6] "Economic Indicators, April 1993," prepared for the Joint Economic Committee by the Council of Economic Advisors, Washington, DC.

[7] Cited by Senator Robert Bennett (R-Utah) in an April 22, 1993 hearing of the U.S. Senate Banking, Housing and Urban Affairs Committee.

[8] "Potential Impact on the U.S. Economy and Selected Industries of the North American Free-Trade Agreement," USITC Publication 2596, January 1993, pp. 2.1-2.3.

[9] Gary Clyde Hufbauer and Jeffrey J. Schott, *NAFTA: An Assessment* (Washington: Institute for International Economics, 1993).

[10] See Gene Grossman and Alan Krueger, "Environmental Impacts of a North American Free Trade Agreement," NBER Working Paper No. 3914, November 1991, National Bureau of Economic Research.

[11] Angela Logomasini, "Free Trade and Economic Growth: Opportunities for Environmental Improvements," *Economic Perspective,* February 24, 1993.

[12] Under the arrangement, Mexico allows foreign firms to own 100 percent of a factory and to supply it with imported equipment and parts if the resulting products are exported. In addition, the United States allows products made of American parts to enter the United States with duties paid only on the labor value added.

# The National Center for Policy Analysis

The National Center for Policy Analysis is a nonprofit, nonpartisan research institute funded exclusively by private contributions. The NCPA originated the concept of the Medical IRA (which has bipartisan support in Congress) and merit pay for school districts (adopted in South Carolina and Texas). Many credit NCPA studies of the Medicare surtax as the main factor leading to the 1989 repeal of the Medicare Catastrophic Coverage Act.

NCPA forecasts show that repeal of the Social Security earnings test would cause no loss of federal revenue, that a capital gains tax cut would increase federal revenue and that the federal government gets virtually all the money back from the current child care tax credit. These forecasts are an alternative to the forecasts of the Congressional Budget Office and the Joint Committee on Taxation and are frequently used by Republicans and Democrats in Congress. The NCPA also has produced a first-of-its-kind, pro-free-enterprise health care task force report, presenting the views of 40 representatives of think tanks and research institutes.

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