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Either we help most Americans or make grants to the rich

David Osterberg • Guest Opinion • August 29, 2010

Now is no time for new tax cuts for the wealthiest in America. Seven years of preferential treatment for that tiny sliver of society have given us the greatest deficits and debt we have ever seen.

Let's focus now on policy options that not only promote a better economy for all but assure a better understanding of it. Ideologically driven "analysis" such as that offered by John Hendrickson in his Aug. 22 column ("Understanding the economy") fails on both counts.

The Recovery Act kept us out of a depression. Targeted provisions, including enhancements of the Child Tax Credit and Earned Income Tax Credit for lower- and moderate-income working families, have helped keep spending up. So have construction jobs and increases in unemployment benefits.

To assert that putting hundreds of millions of dollars of purchasing power in the hands of America's families has done nothing to stimulate the private economy is absurd; in a consumer-driven market economy this is simply impossible.

A better-informed discussion of our challenges recognizes:

- Our deficits and debt primarily are the product of cutting taxes recklessly while fighting two wars.
- Social Security is in good shape for the next 27 years with no change and fully will pay benefits after that if high-income people begin to pay tax on more of their income. Social Security has a \$2.4 trillion surplus and does not contribute to federal debt.
- Health reform, by getting more of the uninsured out of emergency rooms and in front of doctors before health issues become emergencies, takes an important step toward controlling health care costs. That and other features will contribute to cost containment -- and reduce costs for Medicare and Medicaid.

Hendrickson's crowning straw-man argument is to pretend that all of the Bush-era tax cuts might expire next year. No one is proposing that. Many options are on the table, but all include at least President Obama's plan to extend the tax cuts for middle-income Americans, which help small businesses and, by the way, also help high-income people.

Those enamored with new tax breaks for the super-rich fail to address why the old ones have not produced economic recovery. The answer is simple: The rich have no incentive to use their windfalls to improve the short-term economy but can sock it away or invest abroad in ways that do not help Main Street.

A far better approach than giving new tax cuts to the richest 2 percent of people would be for Congress to provide a temporary tax credit to spur small-business job creation, an immediate need. Then, Congress could dedicate to debt reduction the nearly \$1 trillion to be saved in 10 years by letting the tax cuts expire for Wall Street bond traders and other fat cats.

Adding new tax cuts for the rich will hurt recovery. Our choice is simple: Either we help most Americans or we make grants to the rich.

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