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The US Economy Needs Tax Cuts, Not Tax Credits

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America's conservatives are in conflict over tax reform. Some want to cut tax rates, and some want to increase tax credits.

Tax cuts are the way to go, says a senior fellow at the Cato Institute.

"Supply-siders want to replicate the success of Reaganomics with lower marginal tax rates."

As for the other side, self-proclaimed reform conservatives "want income tax credits or payroll tax cuts explicitly for the purpose of reducing tax liabilities for middle-class parents.

The Big Q: What's the argument for tax cuts?

The Big A: If you want to encourage more work, saving, investment and entrepreneurship, then it is a good idea to reduce marginal tax rates on productive behavior.

"The reduction in marginal rates alters the trade-off between labor and leisure favoring the former, at any given level of income, as well as the trade-off between saving and consumption.

So, what is the problem with tax credits?

Child-oriented tax cuts have few, if any, pro-growth benefits. Yet there is considerable agreement that supply-side reductions in tax rates can boost economic performance.

Meanwhile, Grover Norquist, president of Americans for Tax Reform, is highly displeased with President Barack Hussein Obama's approach to corporate tax reform.

Mr. Norquist thinks the focus should be on cutting the 35% maximum federal corporate tax rate, one of the highest in the developed world.

It’s president Obama’s fault that he has done nothing in 5 yrs to reduce corporate rates, whichlike a lot of things, he has said he was going to do, and has not done.