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DJIA	11,378.31	NASDAQ	2,568.45	S&P 500	1,219.68	10 yr Note	2.52%	Gold (Dec)	1,391.90	Oil (Dec)	86.73	FTSE 100	5,853.67
↓ -65.77	-0.57%	↓ -10.53	-0.41%	↓ -6.17	-0.50%	↓ -0.01	-0.40%	↓ -5.80	-0.41%	↓ -0.12	-0.14%	↓ -21.68	-0.37%

## The High Price of Extending the Bush Tax Cuts

By [JONATHAN BERR](#) Posted 1:45 PM 11/05/10 [Economy](#), [Taxes](#)[Comments](#) [Print](#) Text Size [A](#) [A](#) [A](#)[Email](#)

Let the political games begin.

Before the GOP took control of the House of Representatives and eroded the Democrats power in the Senate Tuesday, President Obama had steadfastly refused to consider extending the Bush tax cuts -- which are due to expire at the end of the year -- for individuals making \$200,000 a year and couples who earn \$250,000. Now, not surprisingly, he says he's willing to compromise.

While still arguing that making the cuts permanent is a bad idea, Obama is "[willing to listen to both sides](#)," media reports quote Press Secretary Robert Gibbs as saying. Obama already backs making the cuts permanent for the middle class and the poor, points he made repeatedly in the recent midterm campaigns, but this marks the first time that Obama has been willing to entertain a compromise on the issue with regards to the wealthy, underscoring the magnitude of the defeat Democrats suffered at the polls.

"How that negotiation works itself out, I think it's too early to say," [ABC News quoted Obama as saying](#) Wednesday. "But, you know, this is going to be one of my top priorities. And my hope is, is that, given we all have an interest in growing the economy and encouraging job growth, that we're not going to play brinkmanship, but instead we're going to act responsibly."

### The Numbers Behind the Politics

Republican candidates running for Congress pledged to maintain all the tax cuts, arguing that now would be the worst possible time to raise taxes. [Presumptive House Speaker John Boehner](#) (R-Ohio, pictured above) responded to Obama's overture by reiterating his party's stance that the tax cuts should be made permanent for everyone. A likely outcome may be the extension of the tax cuts for everyone for another two years, says Chris Edwards, director of tax policy at the libertarian Cato Institute.

"That's the way they seem to do all tax bills these days," he says in an interview. "The Republicans are in no mood to compromise. The economy is still in a recession or at least growing slowly."

The Bush tax cuts, which were passed in 2001 and 2003, lowered taxes across the board on income, dividends and capital gains, and eventually eliminated the estate tax. They lowered the tax burdens on married couples, the working poor and parents, and increased tax credits for retirement savings and education. But at some point, the deficits caused by those tax cuts will have to be repaid. According to the liberal [Center on Budget and Policy Priorities](#), Bush's tax cuts accounted for \$1.7 trillion in extra deficits in 2001 through 2008, and will add another \$3.4 trillion to the national debt in the 2009 to 2019 period.

### Dollar for Dollar, a Poor Use of the Money

Fiscal conservatives say the consequences of not extending the cuts would be catastrophic. According to the [conservative Tax Foundation](#), the Bush tax cuts have been worth about \$2,200 in tax savings each year for the median family of four. Many small business owners would pay more taxes under the

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Obama plan, Edwards says.

Critics respond that extending the tax cuts will not do as much to jump-start the economy as critics say.

"According to the Congressional Budget Office and other authorities, extending all of the Bush tax cuts would have a small bang for the buck, the equivalent of a 10- to 40-cent increase in GDP for every dollar spent," writes Brookings Senior Fellow William Gale [in his white paper, Five Myths About the Bush Tax Cuts](#). "The government could more effectively stimulate the economy by letting the high-income tax cuts expire and using the money for aid to the states, extensions of unemployment insurance benefits and tax credits favoring job creation. Dollar for dollar, each of these measures would have about three times the impact on GDP as continuing the Bush tax cuts."

The people, though, want tax cuts, and apparently, tax cuts are what they are going to get.

Tagged: [Bush tax cuts](#), [deficit](#), [economic growth](#), [economic recovery](#), [economic stimulus](#), [jobs](#), [John Boehner](#),

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