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Tax Cuts — or Tax Increases — for the Rich?

U.S. President Barack Obama declared this week that he is in favor of **letting tax cuts for the rich expire**; those tax cuts were enacted under George W. Bush.

Letting all the Bush-era tax cuts (for both the wealthy and others) expire would aid the U.S. economy by helping tackle the country's deficit , MIT Sloan Professor Simon Johnson argues in *New York Times* commentary. What's more, Johnson maintains, "tax cuts are an ineffiicent form of [economic] stimulus."

However, not everyone agrees. Jeffrey A. Miron, a senior lecturer in economics at Harvard University maintains, also at *The New York Times* website, that **"extending the Bush tax cuts — permanently — is a crucial step** in restoring economic growth."

Meanwhile, MIT Sloan professor Thomas A. Kochan recently took a quite different stand: In an op-ed in the *Los Angeles Times*, Kochan suggested that long-term **job creation would benefit if individuals earning $1 million or more saw their income taxes raised** — to 1970 levels of about 70%.

Professor Thomas A. Kochan

Kochan's reasoning? Right now,executives at public companies have an incentive to take short-term measures to boost stock price — and their own bonuses linked to stock price — rather than invest in longer-term measures likely to create jobs. So Kochan thinks we should make the lure of additional executive compensation less tempting to decision makers– through substantially higher taxes on high compensation. Kochan does advocate expanding business's tax credits for job creation — and an emphasis on partnership between workers and management to increase productivity.

For more on Kochan's ideas about the strategic choices executives face in labor relations, read his essay **"Taking the High Road,"** which appeared in the Summer 2006 issue of *MIT Sloan Management Review*.

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