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Will tax cuts bill help the U.S. economy?

by Matthew Rusling

WASHINGTON, Dec. 13 (Xinhua) -- After a bill that extends the Bush-era tax cuts for two years cleared its first Congressional hurdle Monday, questions remain over whether the legislation can bolster the economy.

The Senate voted Monday to advance the bill through the next round of Congress, and it could reach the House of Representatives as early as Wednesday.

The bill extends the tax breaks enacted by former President George W. Bush to all earners, including those at the top, to the chagrin of many Democrats who have spoken out against such a move.

The legislation also extends unemployment benefits through next year and includes a 2 percent payroll tax break for all earners, up to 2,000 U.S. dollars.

Critics, however, argue that as the extension is temporary, the legislation's tax savings will fail to spark an uptick in consumer spending. Moreover, the bill is unlikely to spur hiring or business expansion, opponents said.

"People don't make permanent decisions for job creation and building new factories and expanding output on the basis of temporary tax cuts," Daniel J. Mitchell, senior fellow at the Cato Institute, said.

"It's not going to have a profound impact on the economy," he said.

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