



Can Republicans Talk?

The biggest battle in the lame-duck session of Congress may well be over whether or not to extend the Bush administration's tax cuts, which are scheduled to expire in January. The fact that this decision has been left until late in the eleventh hour, even though the expiration date has been known for years, tells us a lot about the utter irresponsibility of Congress.

Neither businesses nor individuals nor the Internal Revenue Service will know what to do until this issue is resolved. In a stalled economy, we do not need this prolonged uncertainty that can paralyze both consumer spending and investment spending.



Republicans want the current tax rates to continue and Democrats want only the current tax rates for people earning less than "the rich" — variously defined — to continue, with everyone making more than some specified income to have their tax rates rise next year.

What makes predicting the outcome of this battle very iffy is that Republicans won a big majority in the House of Representatives in the recent election, but the tax cuts are scheduled to expire before the new members of Congress are sworn in — and the Democrats have a big majority in both Houses of Congress in the lame duck session, where this issue will be decided.

Theoretically, the Democrats could win, hands down, since they have the votes. But Congressional Democrats are well aware of how they lost big in the recent election, and some Democrats don't want to gamble their own jobs in the next election by going the class warfare route.

Neither the Republicans nor the Democrats can afford to have all the tax rates go up in January because they couldn't get together and pass a bill to prevent that from happening. But the nature of that bill matters, not just for politicians but — far more important — for the economy.

Former Secretary of Labor Robert Reich, now a professor at Berkeley, has made the case for the liberal Democrats' position in an article in the November 28th issue of the San Francisco Chronicle titled "Extend benefits for jobless, not tax cuts for the rich."

Professor Reich points out that both Republicans and some conservative Democrats say that we cannot afford another extension of unemployment benefits because the deficit is already too large. Then he adds: "But wait. These are the same members of Congress who say we should extend the Bush tax cuts for the wealthy."

Reich advocates "extending unemployment benefits for struggling families without a breadwinner" because "These families need the money. The rich don't."

This is the Democrats' argument in a nutshell. It seems very persuasive on the surface, however shaky it is underneath. But cuts in tax rates do not mean cuts in tax revenues, as Reich assumes. How the tax-rate battle in Congress turns out may depend on how well the Republicans answer such arguments.



Written by [Thomas Sowell](#) on November 30, 2010

These are not new arguments on either side. They go back more than 80 years. Over that long span of time, there have been many sharp cuts in tax rates under Presidents Calvin Coolidge, John F. Kennedy, Ronald Reagan, and George W. Bush. So we don't need to argue in a vacuum. There is a track record.

What does that record say? It says, loud and clear, that cuts in tax rates do not mean cuts in tax revenues. In all four of these administrations, of both parties, so-called "tax cuts for the rich" led to increased tax revenues — with people earning high incomes paying not only a larger sum total of tax revenues, but even a higher proportion of all tax revenues.

Most important of all, these tax rate reductions spurred economic activity, which we definitely need today.

These are the facts. But facts do not "speak for themselves." In terms of facts, the Republicans have the stronger case. But that doesn't matter, unless they make the case, which they show little sign of doing.

Democrats already understand the need for articulation. Robert Reich is only one of many articulate Democratic spokesmen. But where are the articulate Republicans? Do they even understand how crucial articulation is? The outcome of this lame duck session of Congress may answer that question.

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