

# Washington does right thing with compromise on tax bill

Steve Sink • Business editor • December 19, 2010

Legislation extending the Bush tax cuts, renewing unemployment benefits, reducing Social Security taxes and doing a host of other things is the single most praiseworthy act of lawmaking to come out of Washington this year.

I don't care if many of the 81 senators and 277 House members who voted for the \$858 billion measure had to hold their noses while doing so; they did the right thing.

Mark Zupan, dean of the Simon School of Business at the University of Rochester, said it well Friday as we talked just a few hours after the House vote:

"There is a deep reservoir in this country of doing things for the common good."

This compromise legislation is an example. Allowing the tax cuts to expire — even on the wealthy — would have been precisely the wrong move as the recovery gains traction. As James Glassman of JPMorgan Chase said at the Simon school's recent economic seminar: "The last thing you need is to throw up a barrier when the economy is starting to move."

And the economy is starting to move, at least the private-sector portion of it. Nationally, retail sales and factory output both have increased for five straight months. Locally, a survey of its members by the Rochester Business Alliance showed that 59 percent of companies say sales are growing and 72 percent expect additional revenue growth in 2011. Hiring has picked up at 39 percent of the businesses and 92 percent say they'll hire or at least maintain their current work-force levels in 2011.

The other key parts of the legislation — continuing to provide extended unemployment benefits and cutting Social Security withholding for workers from

6.2 percent of wages to 4.2 percent next year — will boost the economy by putting more money in Americans' pockets.

"It means getting spending power to individuals, where it will do the most good," Zupan said, explaining that he much prefers this direct economic stimulus over President Barack Obama's 2009 stimulus plan, which had dubious job-creation benefits. By some estimates, the economy could add 2.8 million jobs in 2011.

Speaking of Obama, the compromise was his finest hour as president. For a couple of weeks after the mid-term elections, he seemed to be in denial about the Republicans' congressional victory. But reaching the tax compromise with Republican leaders showed he has come to grips with the reality that nothing meaningful will get accomplished in Washington without reaching across the aisle.

The legislation has a downside because it will add to the U.S. budget deficit. But Glassman, the Chase economist, said too many people fret too much about the deficit. Nothing reduces a deficit like economic growth, he said, and that's what this legislation is designed to do.

For all the wailing and gnashing of teeth by lawmakers who criticized the measure, listen to Rep. Ginny Brown-Waite, a four-term Florida Republican who hasn't hesitated to veer from the party line when she believed it was the right thing to do and who grasps what governing (as opposed to politicking) is all about:

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"The bill before us is not the bill that I would have written, it is not the bill that conservative radio talk-show hosts or Tea Party constituents would have liked written. It is not the bill that *The New York Times* editorial page or the president himself would have written. It's a compromise. This is what a compromise looks like."

There's hope in Washington.

Are you paying attention, Albany?

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