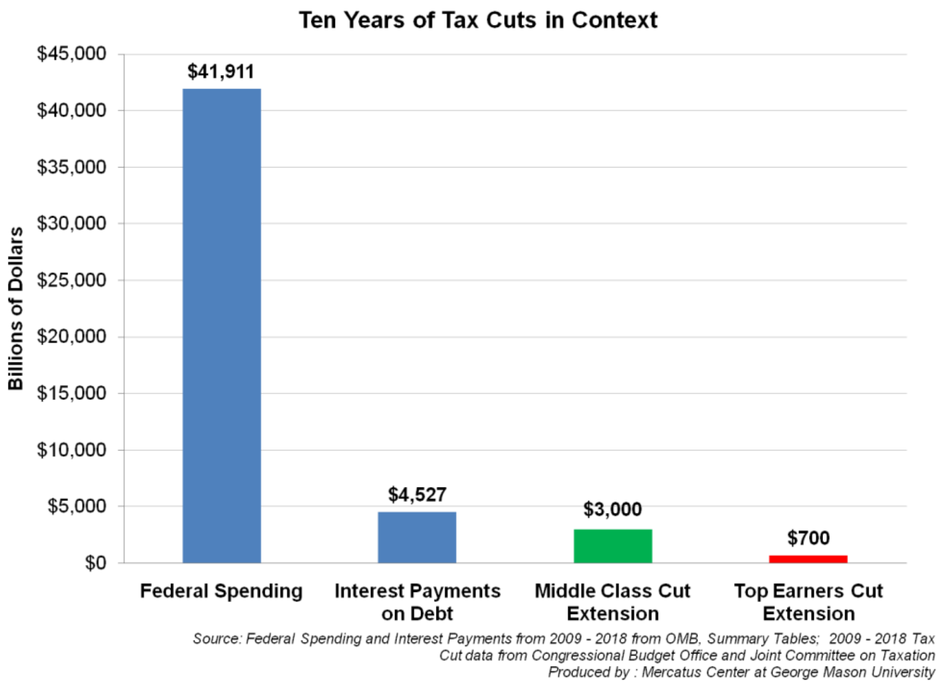

The Congressional Budget Office (CBO) has found that extending the Bush tax cuts will ultimately hurt the economy. The mechanism for this injury? These tax cuts' impact on national debt. You may recall this is the very same crowding out argument that CBO made in June when considering our government's general long-term debt burden. This argument is sound and simple: when government borrows, less capital is available to private investors and entrepreneurs; with less capital, investors are less able to create value for society. Increases in government borrowing, whether to pay for tax cuts or for health care, can ultimately damage the economy through crowding out.

Then let's put the budgetary consequences of extending the Bush tax cuts in perspective, comparing costs over a 10-year window.

The cost of this extension - $700 billion – should be compared to $41.9 *trillion* of federal spending which is slated to occur over the same time period. While the cost of extending these tax cuts is substantial, it is far less than many single programs, especially when compared appropriately, over the 10 year window.

What's more is that unlike general government spending, tax cuts have both a demand and a supply effect: CBO finds that they would boost income and employment in the short term before adding to the debt burden in the long-run. As we consider the pros and cons of letting more Americans keep more of their money, it is critical to keep the discussion in context.

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