

## New tax deal expected to increase economic growth rate

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The politics and fairness of the tax deal worked out between the White House and Republicans in Congress are being hotly debated in Washington. But what impact would the deal have on the economy, in Minnesota and elsewhere?

Andrew Fieldhouse studies the federal budget for the Economic Policy Institute. He says some parts of the deal will spark job growth and others will not, but one reliable model projects a large impact on the nation's economy next year.□

"We expect growth at about four percent in 2011, approximately one percentage point higher than previously anticipated, and this tax package will reduce the unemployment rate by about one percentage point," said Fieldhouse.□

Critics have questioned the wisdom of extending tax breaks for the wealthy. Fieldhouse believes there are better ways to stimulate job growth. He cites extended benefits for the unemployed, which are part of the plan, and targeted spending on infrastructure, which is not.□

He says one part of the package - a very low inheritance tax - does almost nothing to create jobs.□

"This is just the accumulation of wealth, not a stimulative policy. People will sit on estates, invest it maybe a little bit, but it will have almost no economic impact in the near term," Fieldhouse said.

He says the low estate-tax rate was something Republicans pushed for hard.□

For months, concerns about the budget deficit have dominated much of the debate, but according to Fieldhouse, the tax cut deal shows lawmakers are focusing on something more important now - jobs.

"It's encouraging that both sides of the aisle in Washington have come to accept that the unemployment rate is at an unacceptably high level and that more stimulus is needed," he said.