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**HEADLINE:** Red-ink express: In the name of 'stimulus,' Bush plan risks a fiscal nightmare for government

**BODY:**

The following editorial appeared in the Philadelphia Inquirer on Thursday, Jan. 9:

Just weeks ago, a former chief economist at Merrill Lynch declared that the private-sector economy had "turned the corner" and would grow even stronger gradually \_ with it proving "OK in 2004 and 2005."

Rough translation: It ain't that broke that you need to break the bank to fix it.

Instead, President Bush is going for a stimulus-on-steroids approach. It goes well beyond an economic booster shot to changing the fundamentals of the federal tax system and federal finances. The economy's ailments could yield to much less dramatic medicine. Sure, go ahead and help the jobless by extending benefits, as Congress and Bush just did. And take a look at another \$300-per-wage-earner rebate to prime consumer spending, as was done with some success in mid-2001.

Beyond that, be careful what's given away in the name of any "growth and jobs" plan. Federal budget deficits are back. States are reeling from their own deficits while shouldering new homeland security chores. The demographic train wreck facing Social Security and Medicare as baby boomers age hasn't gone away just because politicians have stopped talking about it. Money is so tight President Bush can't pay for even his own cherished initiatives such as education reform.

As far as Washington policy makers are concerned, though, that cautiously optimistic economist, Donald H. Straszheim, might as well have been talking to the wall last month.

To President Bush and congressional leaders, an improving but still-sluggish economy provides an irresistible excuse to do what they were itching to do no matter what: cut taxes. Also, Bush is eager to avoid the political judgment passed on his father, that he failed to pay attention to a lagging economy.

Meanwhile, Democrats, seeking to find their voice as a minority party. feel the imperative to match the President policy for policy.

Citizens beware. Are the plans really about easing short-term economic woes? Or are they vehicles for other agendas. On the GOP side, could that be the structural and permanent reduction of federal taxes in order to shrink the role of government?

That's a hard suspicion to avoid when you see how breathtakingly out-of-whack the \$674 billion Bush program of new and accelerated **tax cuts** is. A federal government already

awash in red ink can't afford this, not without massive cost-shifting to states and cities, which will then be forced to hike taxes, eroding any benefit the middle class derives from the federal cuts.

Some of the president's ideas will seem attractive. He wants to raise the child tax credit by \$400 this year. Small businesses would get tax incentives to buy equipment. There's also an intriguing idea for a **\$3,000** per person job-search account to aid 1.2 million jobless people.

But he also wants to speed up income-tax rate reductions approved in 2001. With the deficit growing, war looming, homeland security going begging, and Social Security sagging, this is no time to accelerate tax cutting. In fact, those **tax cuts** should be repealed.

Then there's the elephant in the room: a proposal to end taxes on stock dividends. It not only vastly favors the wealthiest Americans, it's hugely costly to the Treasury.

Plus, it's a huge change that would alter basic habits of investors and corporations. It has its virtues, but it shouldn't be done without intense scrutiny of the downsides. (For example, by making tax-free bonds less attractive, it could further devastate the finances of state and local governments.)

The goal of the dividend break is to coax gun-shy investors back into the stock market. But there's a much cheaper way to do that: move with more enthusiasm to implement corporate ethics protections.

The Democrats' proposals are far more like a short-term stimulus that Washington can afford. With a price tag of around \$136 billion, their plan calls for one-time tax rebates, jobless aid, and a sizable pot of new federal aid for states. It's not a great plan, but it's a better starting point for the great debate.

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