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A Dr. Jekyll and Mr. Bush Presidency

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Last Friday the Republican-led House Ways and Means Committee, in a straight-line party vote, approved the \$150 billion economic stimulus package proposed a few days earlier by President Bush. The package is awful. It is grossly inattentive to real national needs, while making no economic sense. In fact it's not really a stimulus package at all, since stimulating the economy is neither its central purpose nor likely effect.

Instead, and more simply, what we have before us now it is yet another Bush administration effort to give "your money" to the very rich. What makes this latest effort almost stunningly cynical, and turns the stomach, are the grounds on which its passage is being pushed: the common sense of national purpose needed in a time of peril. In policy circles, exploiting a legitimate rationale for action to advance some unrelated end is called "hitchhiking." Here it's the public that's being take for a ride, with patriotism the first resort of scoundrels.

What's sad is that President Bush, who in responding to the national tragedy of Sept. 11 is acting with unexpected dignity and purpose in foreign policy, here reverts in domestic politics to an effort that lacks both. It almost seems that Sept. 11 brings out his Dr. Jekyll on foreign issues but unleashes a Mr. Hyde in domestic affairs. How to deal with this split personality? With care, of course, but first and simply by asking of any Bush action: "Is this the W of Dr. J renown, or the monster of Mr. H?" The House stimulus package is a Mr. H production through and through. Here's why.

As every undergraduate knows, if you want to stimulate an economy you should 1) get money as quickly as possible into the hands of those most likely to spend it, while 2) not tying your hands in the future, in particular in ways that worsen your long-term fiscal position, and 3) ideally spend the money on something useful. These verities of public finance and their Keynesian fine-tuning have stood the test of time, and each of them is squarely violated by the House package now before us.

First, most of the stimulus consists of tax cuts for corporations and the wealthy, chiefly the top 5 percent of the population - i.e., those families making in excess of \$300,000 a year. These are not the sorts of institutions or families that are likely to change their spending behavior quickly in response to a bit more cash.

Business would get accelerated depreciation rules for plants and equipment - allegedly a spur to new investment - and the repeal of the corporate minimum tax. Rich individuals would get some reduction in capital gains taxation, and early implementation of some of the out-year recommendations of this year's signature tax cut - the misleadingly named Economic Growth and Tax Relief Act of 2001 (EGTRA) - which disguised its deeply regressive features by loading them into later years.

New investment is not the principal problem now facing the U.S. economy, which actually suffers from an investment "overhang" that needs to get worked off. Repealing the corporate minimum tax just keeps more from the government. Even if they worked in theory - for which there is no evidence - capital gains tax cuts, which all acknowledge as incredibly regressive, would not increase spending but investment, which again is not our problem now. And accelerated implementation of EGTRA would fail to increase spending for the basic reason already noted: Its beneficiaries are already too rich to be much affected in their outlays by rebate checks.

Second, both the corporate and major individual tax cuts are effectively permanent. So while their stimulating effects are nil, their revenue reducing effects are forever. This makes absolutely no sense at a time when the general economic situation is worsening, the federal surplus has already disappeared, and most states find themselves in a serious fiscal crunch or worse. We are just throwing away tax dollars.

Third, the Mr. H plan doesn't put any serious money where it is urgently needed and most likely to be spent - among the unemployed workers, including hundreds of thousands just recently escaping welfare, who are now getting laid off, and were already beginning to get laid off before Sept. 11. Nor is there money for investment in worker training, school infrastructure, or other acknowledged needs that might usefully now be met.

In sum and throughout then, the Republican stimulus package is both stupid and cruel. This isn't patriotism, whatever Mr. H and the Republican House leadership may tell us.

Joel Rogers teaches at the University of Wisconsin-Madison and is founder and director of the Center on Wisconsin Strategy (COWS), which administers the Sustaining Wisconsin campaign. This is another in a weekly series of Capital Times columns he's writing on issues in the campaign. For more information, see www.cows.org and www.sustainingwisconsin.org.

Joel Rogers is director of COWS, the Center on Wisconsin Strategy, at the UW-Madison. On Jan. 29, COWS debuted "Sustaining Wisconsin," a statewide dialogue about the future of Wisconsin. The themes expressed in this view of the state of the state will carry through the next 18 months as COWS uses Sustaining Wisconsin to put the Wisconsin Idea into action.

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