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The Bush stimulus

Against

Needed: a plan to benefit all

By Susan Davis and Bob Filner

Any real analysis of the so-called economic stimulus plan proposed by the Bush administration must focus more on what it doesn't do than what it does.

To have the desired effect, any economic stimulus plan needs to be fast acting. It must put money in the hands of those who need it and are most likely to spend it. It needs to help businesses to spur investment activity. It must address the fiscal crisis facing virtually every state in the Union. California's deficit, whether it's $35 billion or $26 billion, is the worst, but every state is in the same boat.

Democrats are concerned that virtually all of the president's plan just won't work to stimulate the economy. While the plan sounds impressive with its Beverly Hills price tag of $674 billion, only 7 percent, or $59 billion, of the plan would be injected into the economy in 2003. The rest of the president's stimulus package won't start to kick in until 2004 — a little late if we're aiming to get the nation out of the recession any time soon. In contrast, the Democratic proposal would inject $136 billion into the economy this year with tax breaks, unemployment benefits and aid to financially strapped states.

We believe that all taxpayers, but especially those most in need, should get tax relief. According to the Urban-Brookings Tax Policy Center, half of head-of-households with children, or single parents, will get nothing under the Bush plan. Living paycheck to paycheck, these single parents are most affected by this recession and are more likely to put any tax relief immediately back into the economy. In addition, the president's plan would leave a third of all taxpayers with zero tax relief. The Democrats would provide $300 in relief to all taxpayers.

The dividend tax elimination fails to stimulate the economy, but succeeds at shouldering companies, including small businesses, with an administrative burden they can ill afford. Under the proposal, corporations will be required to work through a complex system where they must show that they paid taxes on their original profits before their dividends become tax free. Shareholders of companies that don't pay any taxes on profits due to tax shelters and loopholes will not see any dividend relief.

Again, those who need the most help get it least. The Urban-Brookings Tax Policy Center claims those earning $75,000 or less, which represents 82 percent of taxpayers who pay 18 percent of the dividend tax, will see a cut of just $42! Households earning more than $1 million (2 percent of taxpayers) who pay 24 percent of the dividend tax, will get an average boost of $27,097. Any dividend-earning stocks held in 401(k) plans provide no tax relief to the holders of such plans.

A most important component left out of the president's plan is the financial crisis of the states trying to meet our homeland security and other critical needs. We all know the crisis that California is in — virtually all other states also will have to cut services and/or increase taxes. Both alternatives further hurt our economy.

Many of the vitally important homeland security provisions enacted by Congress last year amount to an unfunded mandate for states. Homeland security is a federal responsibility, and the federal government has an obligation to help states meet these needs. The Democratic plan proposes billions of dollars in assistance to states to meet homeland security, Medicaid, and infrastructure needs. The administration's plan does not.

A true debate to find common ground could create an effective stimulus plan. However, no such debate will take place — and that's a tragedy for our nation. The American people want both parties to come to the table to find a solution. The Democrats would lay on the table a plan that provides tax relief to those most in need, helps both large and small businesses to reinvest, and gives states some desperately needed assistance. None of that will happen if the president's plan is adopted.

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