

Stimulus plan is about politics, not economics

by *The Detroit News*

The stimulus plan announced by President George W. Bush and congressional leaders Thursday is much more about politics than economics.

The plan includes targeted tax rebates to individuals and tax write-offs for businesses. Individual taxpayers with incomes up to \$76,000 would get rebate checks of \$600; families with incomes of \$150,000 or less would get \$1,200, or more if they have children.

Partial rebates would go to individuals earning \$87,000 and couples with a joint income of up to \$174,000.

Anyone who earned pay totaling at least \$3,000 in 2007 would receive a \$300 rebate check, even if they paid no income tax. The individual rebates would cost the treasury about \$100 billion.

Businesses would receive about \$50 billion through heftier tax write-offs for purchasing equipment and incurring other expenses.

Also included was an increase in the amount of loans that federally sponsored mortgage agencies could make or buy to help the struggling housing market. The economic effects would be marginal, according to Gary Wolfram, a Hillsdale (Mich.) College economics professor. Most of the individual tax rebates, he says, could be expected to go into paying down credit card debt. To that extent, it might have a small, temporary effect on interest rates.

Business would not expand production or hire more workers simply because individuals have \$600 or \$1,200 more to spend on a one-time basis.

The business tax relief, Wolfram says, might make more sense, if it were used to increase production of goods that might result in the hiring of more workers. Patrick Anderson, head of an economics consulting firm with offices in East Lansing, Mich., and Chicago, agrees.

The package, he said, would have a "small, temporary positive effect and then be gone."

The president and congressional leaders are attempting to inject more money into an economy they fear may

be heading toward recession.

They are seeking to calm jitters and avoid an election year downturn. But the goal of a healthy economy is furthered when the cost of investment and production - which leads to more jobs, which in turn leads to confidence in the economy - occurs as a result of permanent changes in tax rates that can be counted on in business planning.

Of course, this is made much easier when spending is brought under control. This stimulus plan doesn't do any of that - but it gives politicians of both parties a chance to say they "did something" about the economy - however irrelevant it may be.

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