

More bucks, less bang

by the St. Louis Post-Dispatch

In matters of economic stimulus, ideology and constituent politics should give way to cold hard economics: What's the best and fastest way to pump money into the economy, thereby helping to avoid recession?

Alas, that's not the way it's done in Washington. The House this week passed a stimulus plan that was a compromise between Republicans, who resist giving rebates to people who don't pay taxes, and Democrats, whose traditional constituency includes labor and the working poor.

Ideology aside, the most effective stimulus is one that directs cash at the poor and at middle-class Americans, who spend it immediately, rather than to the wealthy and to businesses, which either put it in the bank or make capital purchases that take months to generate impact on the economy.

The compromise stimulus plan passed by the House on Tuesday sacrificed economic effectiveness in favor of the urgency of getting something passed. With bipartisan support from the Bush administration and Speaker Nancy Pelosi, D-Calif., the \$146 billion plan glided through the House in just days.

The House compromise gives rebate checks to the working poor, who don't pay taxes. It also limits rebates to couples earning less than \$175,000. That's smart. But Republicans fended off efforts to extend unemployment benefits or send checks to people who live on Social Security with little other income.

About one third of the \$146 billion House plan would go to business tax incentives, largely to companies that buy new equipment. Although helpful, such incentives are a slower way to prime the pump than direct payments to individuals.

The Senate continues working on its version of a plan. Senate Democrats came up with proposals that would increase the cost to \$196 billion by extending help to the unemployed and poor Social Security recipients - who will spend it - while also handing checks to people making \$300,000 a year, most of whom will bank it.

That plan failed to generate sufficient support, so Senate Majority Leader Harry Reid, D-Nev., plans to force separate votes next week on extending checks to Social Security recipients, aid for disabled veterans and extending heating aid to the poor. Republicans facing re-election may find it difficult to vote against them.

Meanwhile, more gloomy economic news added to urgency for such an economic pick-me-up. The

Commerce Department reported that gross domestic product rose at an annual rate of only .06 percent from October through December, down from 4.9 percent in the previous three months. A growth rate that low means rising unemployment.

In response, the Federal Reserve moved its finger closer to the panic button. It cut short-term interest rates by half a percentage point, just eight days after a three-quarters-point rate cut.

Those unusually sharp rate cuts - the steepest in at least a quarter century - came in the face of still-worrisome inflation figures. They indicate a serious case of the pre-recession jitters at the central bank and add to the urgency of getting a stimulus package passed.

But if Congress is going to add billions to the national debt in the interest of stimulating the economy, it owes it to the American people to get the fullest possible bang for the buck. The House plan doesn't do that. The Senate must improve it.

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