The Savage Truth: Where the money meets the mouth

by Terry_Savage

You can't spend rhetoric. Especially empty rhetoric. President Obama was eloquent trying to sell his economic stimulus program to the American public in Elkhart, Ind., and Fort Myers, Fla., last week. And one homeless woman he met eventually did find lodging â€” but since that hour, hundreds more families have lost their homes.

Meanwhile, during congressional hearings last week, Treasury Secretary Timothy Geithner violated the first rule of public speaking: If you don't have anything to say, don't say anything!

And then both fell into the trap of assuming that if you throw enough money at a problem, a solution will emerge. That's the basis for creating a stimulus bill that only stimulates the spending appetite of the Friends of Democrats, who were left out in the past eight years of the Republican spending orgy.

Before the new administration took office, we were facing a $1.2 trillion deficit. Now we'll be over $2 trillion in the hole for the year â€” and that's not counting more bank bailout funds.

This is your tax dollars at work â€” or at play.

It's not that it's all a waste of money. The real problem is that there's no direct link to jobs, growth, incentives and multipliers in so many of the spending allocations.

Income Tax Credit: $400 for individuals, $800 for couples. The tax credit phases out for singles with income over $75,000 and couples earning over $150,000.

Problem: You won't see the money until you file taxes next year, unless your employer is willing to readjust withholding schedules!

Car Buyer Sales Tax Deduction: Deduct state and local sales and excise taxes even if you don't itemize.

Problem: Applies only to new cars, and may not be enough to make much difference.

First Time Home Buyer Credit â€” Refundable tax credit of 10 percent of purchase price up to $8,000 for purchases in 2009. Phases out at incomes over $75,000 single, $150,000 couple.

Problem: Credit maxes out at $80,000 home price, too low a limit. Must be repaid if house is sold within three years.

Pell Grants Increased by $500: Max grant is $5,350 in 2009.

Problem: Nice headline, but not enough to help these poorest students, and where's the stimulus effect?

Higher Ed Tax Credit: Spend up to $4,000 on higher education, and get a $2,500 credit.

Problem: Limited to those already spending college money, doesn't make borrowing â€” or repayments â€” easier.

COBRA Health Insurance Help: Employer will pay 65 percent of costs to extend your health care coverage after you're unemployed.

Problem: Very helpful to those who lose jobs, but may still leave them with significant monthly cost. And, again, where's the stimulus?

There's nothing really wrong with these ideas. But even lumped together they don't make a significant dent in our economic problems. They don't deal with the thousands facing foreclosure, or the threat of bankruptcy. And they don't work together to get the economy going again.

Whatever happened to the idea of putting money directly into paychecks by cutting the payroll tax â€” FICA â€” the one tax everyone pays? Just a one-line proclamation would stimulate the economy and provide relief to families that have only one remaining income to fund their lifestyle.

Sure, FICA is supposed to fund Social Security. But since we've already gobbled up the so-called "Social Security trust fund" anyway, why not try to make hiring less expensive for employers, who pay half of FICA? Lower hiring costs could go a long way toward creating â€” or saving â€” those 3 million jobs the president

keeps talking about.

The Fair Tax advocates are coming out of the woods. And maybe they have a point that will get some attention this time around. It's a national sales tax with appropriate exemptions for basic spending.

There would be no income tax, either corporate or personal. Instead, you would give the government 23 cents on every dollar you spend â€” and only when you decide to spend it.

Without withholding, working people would get an immediate boost to the bottom line in their paycheck, as much as 50 percent! Now, that's a stimulus!

The Tax Foundation estimates we Americans will spend $350 billion just complying with the current income tax code in 2009. Think of the savings if we collected taxes only on spending â€” instead of filing all those forms, paying all those accountants. A side benefit: The underground economy would be taxed when they go shopping. And all the offshore corporate profits could be repatriated without the bit of taxes at a 35 percent rate.

What's wrong with these easy solutions? The big problem seems to be that they'd take power away from Congress.

I've often said that the only thing worse than having an economic problem is Congress deciding it has the solution! The stimulus bill is even more proof.

And that's The Savage Truth!

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