

Payout package: Tax breaks in a time of crisis

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The U.S. Post Office says it will need \$2.5 billion for additional security in response to the biological war being waged against Americans through the mail system. The airlines have already received a \$15 billion bailout in the wake of the September 11 attacks. Officials at the Centers for Disease Control are asking for “a few billion” to hire more staff and upgrade laboratories.

New York officials have said that it will take around \$54 billion to help the city meet the economic challenges created by the World Trade Center disaster. Then there’s the cost of protecting food and water supplies, securing energy sources (including nuclear), increasing security in all transportation sectors, and on and on. Congress has already approved some \$60 billion to meet these and many other requirements—such as a national supply of antibiotics—that have suddenly become essential. That figure will surely grow.

By all accounts the U.S. is facing a grave national emergency to which every American must respond with courage and sacrifice. Citizens must steel themselves to meet the costs of a conflict that is as much economic as martial. But that’s not the message being sent by the Republican members of Congress.

The House’s recently passed economic stimulus package, which President Bush has said he wants on his desk by November 30, has been termed by some unpatriotic, by others an example of war profiteering, and by others an opportunistic tax break for the very rich. It is indeed difficult to see that the bill accomplishes any purpose larger than satisfying the wishes of corporation lobbyists.

The bill will cost (not save) \$210 billion over three years. About \$14 billion would cover a onetime pay-out—\$300 for individuals, \$600 for couples—to those low-income people who didn’t qualify for a tax rebate check under the Bush administration’s last \$1.3 trillion tax cut. Most of the remaining \$196 billion is earmarked for big corporations and wealthy Americans.

The House bill includes a cut in the capital gains tax and provides for accelerated implementation of tax cuts for those in higher tax brackets—cuts Congress has approved but which were not scheduled to begin until 2004. Corporations would be relieved of the “alternative minimum tax” which was designed to prevent large companies from manipulating the tax code to the point where they paid zero taxes. And not only does the House bill abolish the AMT, it does so retroactively to 1986. The nonpartisan Congressional Research Service has calculated that IBM stands to get \$1.4 billion, General Motors \$832 million and General Electric \$671 million.

At the same time, House Republicans balked at helping the half million Americans who lost their jobs following the September 11 attacks, including 140,000 airline employees (the same industry that received that \$15 billion bailout).

The economy is in trouble. Economic output has registered the largest drop since 1991, and economists are now openly talking about recession. The expected ten-year surplus in the federal budget, touted so widely in August, has all but vanished. But congressional Republicans and the Bush administration are offering the tired formulas of trickle-down economics, and a supposed stimulus package for the economy that looks more like a long-term corporate handout.