

OPINION

THE BATTALION

Page 9 • Friday, January 17, 2003

TAX CUTS: BOOST OR BOMBHELL?

Bush's plan will affect students directly, for better or for worse



MATT CHESIER

The next time you're flying down Texas Avenue in your Ford F-150 trying to make your 8 a.m. class, feel confident that President George W. Bush is doing his best to get you there on time.

The president's proposed economic stimulus plan outlines three problems facing our economy and the solutions to eliminate each of them. His plan tackles the high tax burden and debt placed on the American family, the unfair double taxation of corporate profits, and the rising unemployment rate. Each of these must be dealt with effectively if our economy is to continue to grow, and Bush's plan hits the mark.

According to the president, consumer spending drives 70 percent of the U.S. economy. Because of the high taxes we all have the privilege of paying to the federal government, we have less disposable income to spend.

"Some critics of Bush's policy might say this is another tax break for the rich...over half of those taxpayers claiming dividends earned less than \$50,000 in wages and salaries in 2000."

The president's plan makes all future tax rate reductions passed in 2001 effective this year, retroactive to January 1. After the plan is passed, he will order the Treasury Department to adjust income tax withholdings immediately to increase disposable income and help keep consumer spending high. With that extra income you can begin to think about trading up to a new 2003 F-250 supercab.

Bush's plan specifically targets middle-class families by accelerating other tax reductions passed in 2001. He proposes reducing the marriage-penalty tax this year. This will result in a financial boost for an estimated 35 million married couples. The stimulus package also moves more Americans from the 15 percent income tax bracket to the bottom 10 percent bracket and increases the child tax credit \$400. The White House estimates that these tax-cutting measures will pump an additional \$70 billion into the economy during the next year and a half. Aggies with families, check your mailbox in May for some summer vacation money.

On the corporate side of the economy, companies pay taxes on their earnings. The owners of the company, or shareholders, can be paid some of those earnings in the form of dividends — dividends that are then taxed again. This

double taxation, while fundamentally unfair, more importantly discourages companies from offering dividends. Since dividend income as a percentage of personal income has grown during the last decade, according to bea.gov, eliminating the dividend tax leaves investors with more money to put back into the economy and companies with higher stock prices. Companies such as Ford that offer dividends, will be much more attractive to investors. With more capital investment, Ford will be able to build you a better truck at a cheaper price. F-350 here we come!

Some critics of Bush's policy might say this is another tax break for the rich. They should be more careful when throwing around the term "rich". According to taxfoundation.org, more than half of those taxpayers claiming dividends earned less than \$50,000 in wages and salaries in 2000. A teacher's salary, while a good living, is far from being rich.

Another important component of our economy is small business. They make up the vast majority of all U.S. business and create two-thirds of the new jobs according to economy.com's Brian Lego. Small businesses in the Bush plan will be allowed to write off an additional \$50,000 in equipment expenses. For those who know someone who runs their own business, \$50,000 makes a big difference at the end of the year. The money saved in taxes can be directly reinvested into the business.

The final challenge outlined by the president is unemployment. To help those currently unemployed, Bush proposes expanding federal unemployment benefits to assist those whose benefits have already run out. Like the tax cuts, the unemployment benefits will be retroactive. He also is proposing establishing "Personal Re-Employment Accounts", to help the unemployed find the "dignity of a new job". Americans with a re-employment account could receive up to \$3,000 for use in finding a job. If they obtain one within 13 weeks, they will be able to keep what is left as a "re-employment bonus". Recent grads in between jobs would definitely qualify.

The president's economic stimulus plan presents specific solutions to our economy's current problems and should be enacted quickly by Congress to boost the struggling economy while reaching out to Americans of all social classes. Bush summed up what should be our government's economic position with these words, "The role of government is not to manage or control the economy from Washington, D.C., but to remove obstacles standing in the way for faster economic growth." If he had his way, he'd drive a Ford to work too.

Matt Chesier is a senior economics major.

This past week, President George W. Bush laid out his economic stimulus package. Estimated at around \$670 billion spanning 10 years, it contains many provisions including eliminating taxes on dividends and increased child tax credits. Since then, Bush has defended his stimulus package, saying that taxing dividends "twice" was unfair, and that it hurts those who depend on dividends for a steady income. He expressed hope that the other tax breaks included in the package would put money in consumer's pockets to boost spending and improve the economy. Unfortunately, the plan he proposed is a flawed way to accomplish the economic revival that he and the graduates of the Class of 2003 desire.

Currently, the income that corporations earn is "double taxed" before it makes it into the pocketbooks of stockholders. The corporations pay taxes on their earnings, and the individuals who own the companies pay taxes on the money they make from their investments. Republicans claim that this is unfair and on the surface it certainly appears so. But the situation is not so simple. The current long-term rate on capital gains, money earned from investments held for one year or more, is 14 percent. This is considerably lower than the 39.6 percent paid in federal income taxes by those in the highest tax bracket. Corporate taxes can vary, and some tax rates can be as high as those paid by wealthy individuals. However, corporations have flexibility in how they structure their balance sheets that allows them to drastically lower their tax rates. The combination of creative accounting and a 14 percent tax rate allows one to see how the money made by a corporation could actually be taxed less than that made by an individual, despite being taxed twice.

Whatever burden "double taxation" may carry, it has not stopped people from forming corporations, because of the benefits that come from being a corporation. Included among those benefits is the ability to declare bankruptcy and have the government pick up the tab.

Eliminating the tax on dividends creates a large loophole for corporations. To help their investors avoid capital gains taxes, companies could now pay out earnings in dividends, as opposed to reinvesting their earnings to expand their business and raise their stock value.

This is an underhanded way for the Bush administration to pass a capital gains tax cut. It is not a policy aimed at helping those who depend on dividends for a regular income, but rather the whole spectrum of investors, who will now have a method for avoiding capital gains taxes.

Another component of the Bush economic plan is an increase in the per-child tax credit. To some this may seem like a politically savvy

move by the administration. It plays to politicians' favorite demographic group: the "hardworking American family." It will surely be well-received by the "family values" element of the Republican Party. However, there are already tax deductions like this in place. Children can be claimed as dependents, there are education credits and a \$500 per child tax cut that was recently passed as part of the Taxpayer Relief Act of 1997.

At some point, enough is enough. In a world with a population problem, at least in the minds of some, having a child should be regarded as a privilege that one earns. One should not be a second-class citizen if he decides to forgo this privilege. How can we

"While economic experts don't agree on much, they do generally support the idea that for a tax cut to have the maximum economic impact, it should put the bulk of the dollars in the hands of those who are most likely to turn around and spend it."

criticize developing third world countries with their high birth rates and poverty, while continuing a policy trend that seems to encourage large families? While economic "experts" do not agree on much, they do generally support the idea that for a tax cut to have the maximum economic impact, it should put the bulk of the dollars in the hands of those who are most likely to turn around and spend it. While some elements of Bush's tax plan seem based upon this philosophy, the elimination of the tax on dividends seems strangely out of place. Despite a concern for getting money to those who need it most, Bush should avoid the temptation to target tax cuts at popular demographic groups.

This is the first step in a negotiation process with Congress, and Bush has begun the process in a less than forthright manner. If he continues to pander too much to those who elected him at the expense of the economy, he may find himself out of a job come 2004 and the Class of 2003 may find it harder to find jobs after graduation.

Tim Schniedwind is a graduate environmental engineering major.

Maroon is out; Aggies should bleed green

It will be our actions that will decide the kind of world we will leave our children. It will be the decisions we make today that will determine the quality of air, water, resources and life we pass on to our grandchildren. Now is the time for us to think about the decisions we are making when it comes to the environment.

Right now, our world is in a state of environmental depreciation and destruction. Figures from the United Nations Earthwatch Web site show that the 90s was the warmest decade in known history and within 20 years, London will be as hot as the Loire Valley. In September 2000, satellite measurements revealed that a hole in the ozone layer over Antarctica has grown to a record 28.3 million square kilometers, resulting in increased exposure of UV-B radiation. This could lead to more cases of skin cancer and damage to the global ecosystem. This damage to the environment can be traced back to man.

If man has chosen to be the root of the environment's ruin, man should be the source of the environment's regeneration. There are countless groups and organizations responding to the decay of our planet, but these groups' efforts are not enough. To counter the deforestation rate, offset the widening of tropic regions and the shrinking of polar regions and prevent the extinction of innumerable species of plants and animals, it will take the efforts of everyone. What role will Texas A&M play in saving our environment?

I recently visited the University of Texas campus in Austin, where I saw a recycling bin next to every trash can. No such recycling bins exist on the A&M campus. A&M cannot be a major university in the 21st century if students have such limited means to dispose of their waste in an environmentally-conscious fashion. The University of Texas and other universities with similar programs, will come to be considered more progressive than A&M unless this univer-

sity takes steps toward being concerned with the well-being of the planet.

The first step for A&M is recycling. According to the United Nations Earthwatch Web site, the amount of carbon dioxide in the atmosphere has increased by 31 percent since 1750 and half of the planet's original forests have been destroyed during the past three decades.

In 1999, recycling and composting activities prevented 64 million tons of material from being burned or added to a landfill. It cannot be denied that recycling can have huge effects on waste prevention.

Aggies For a Clean Tomorrow, a group consisting of two employees and 15 student and temporary workers, labors diligently to increase recycling at A&M and has been successful in integrating a recycling program into Leggett Hall.

However, this is just one dorm out of 32. The members of Aggies For a Clean Tomorrow should be applauded for their accomplishments in fostering this cause, especially when so many

people feel apathetic toward recycling. For students who do care about the environment but live in one of the other 31 dorms they may have to continue to waste their time and energy finding a place to recycle. A&M could make it much easier by having a more reasonable number of recycling containers on campus.

Aggies For a Clean Tomorrow's mission is to incorporate recycling programs into every dorm on campus, which is a very noble goal. However, it will continue to be merely a goal and not a reality while students and the University remain indifferent. The University needs to take the first step by providing the resources for such organizations as Aggies For a Clean Tomorrow. Ultimately, it will have to be the students who decide whether they recycle their waste or, ultimately, use nature as their recycling bin.

John David Blakley is a freshman political science major.



JOHN DAVID BLAKLEY

MAIL CALL

Serving in the U.S. military is honorable

In response to Matt Rigney's Jan. 14 column:

While I did not agree with all of the points that Mr. Rigney was making against reinstating the draft, I still appreciated his logic and respected his opinion. That is, until I read three key words he wrote regarding Aggies that freely elect to serve in the military: "...wasting... their life..." As a middle-class Anglo-American Aggie who plans on

serving as an officer in the Marine Corps, I had a problem with that one. Can anyone who lives freely in this nation really propose that to serve this country as our fathers did before us is a waste? How did this nation come to be free? War. How have we protected our borders and ideas? War. What single action has granted us every right that we enjoy today? War. Poverty is not the only driving factor that motivates people to join the military. Try pride in America. Try loyalty and servitude towards your fellow patriots. Try a sense of duty and gratitude for those who have died giving us this life. If someone only planned on

joining due to poverty, I would encourage them to look elsewhere. After all, there are better paying jobs that also do not require a college degree. Maybe journalism is the answer.

Kris Schoeffler
Class of 2003

Targeting female for yell leader is sexism

In response to Collin Ezeanyim's Jan. 16 column:

Mr. Ezeanyim begins with the state-

ment that A&M has yet to have a female Yell Leader. This statement later proves to be an interesting, albeit contradictory one, because he talks about a precedent for a female Yell Leader set by Kim Manuel of W-1, who was chosen by Corps members as a Fish Yell back in 1979. There isn't any sort of rule or stipulation that disqualifies them from entering the election. Mr. Ezeanyim's editorial still has one glaring problem. That problem is as ridiculous as it is discriminatory toward the very women Mr. Ezeanyim is trying to fight for. That is his suggestion that the Corps should nominate a female cadet

to the Corps Bloc in an effort to show that "women can yell, too." Why would any female cadet want to be nominated to Bloc simply so she could be made into a statement? Putting a candidate up for election simply based on their gender is nothing more than sexism. Bo Wilson wasn't elected Yell Leader because he was a man, and I find no reason why Jane Doe should be elected to the same position because she is a woman.

Will Tolliver
Class of 2005