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Economy Breeds Greed

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How to respond to the economic downturn is getting more urgent by the day as the number of unemployed workers continues to rise - now more than 7.7 million, it's at its highest level in more than a decade. But in Congress and Wisconsin, recession politics remain both venal and confused.

Nationally, the Democrats are only now beginning to unfold their own stimulus package, a weak and unimaginative response to a bundle of corporate giveaways and breaks for the rich so outlandish that even the conservative Wall Street Journal called it shameless "war profiteering" by the upper classes.

In Wisconsin, we've got a governor who's never met a tax break he didn't like and whose policy program no longer even pretends to be different from press releases handed out by Wisconsin Manufacturers and Commerce, the state's premier organization of lowest-common-denominator business. (Question from off stage: "Would any remaining responsible business leader in Wisconsin puhleeese stand up!?!")

At the Legislature matters are, perhaps remarkably, even worse. The latest stirring, advertised with much bipartisan fanfare at its unveiling last week, is a "recovery" proposal authored by Sen. Robert Welch, R-Redgranite, and Reps. Bob Ziegelbauer, D-Manitowoc, and Frank Lasee, R-Bellevue. The package includes a soup of tax breaks and corporate giveaways offered in the same spirit and intellectual tradition of the national Republican "recovery" package that the WSJ thought shameless and that virtually all respectable economists agree is stupid. (One is reminded of the instructive title of the late Robert Lekachman's early book on Reaganomics: "Greed is Not Enough.")

The Welch, et al, package begins with the relatively inoffensive implementation of business tax treatment on a single sales factor basis, but then becomes increasingly loony.

First, an immediate tax cut of \$1 billion, just to make sure the deficit hole gets deep enough to provoke real crisis.

Second, a freeze on all state bonding, so that we can't make needed investments for the future and are mired in the economic choices of the past.

And third, just to help the rich "recover" from current economic troubles, full elimination of taxes on what the package - in one of the better Freudian slips of the season - calls their "capitol" gains.

Grossly ineffective as a short-term stimulus package and promising a weakened tax base and greater unfairness in the tax burden than we already have, this proposal is being marketed under the acronym "SMART" - for "Save Money And Reduce Taxes." It is more accurately named "DUMB" - for more "Deceptive Unimaginative Malarkey for (Irresponsible) Business."

"We in Wisconsin have a choice," said Rep. Lasee in introducing the package. "We can either stay a tax hell and discourage people from living here, growing their businesses here, raising families here, or we can become a new Wisconsin with a bright future, where businesses expand, and economic opportunity grows with it. Where little old ladies can afford to live in their homes."

I suppose we can expect to hear a good deal more of this sort of hot air rhetoric in the coming election season. After all, taxes are always an easy target, and for someone who thinks they are the beginning and end of all our economic woes, cutting them always makes sense. A recession just provides another excuse for making an argument they would have made - indeed, in these character cases, did make - during better times. And who on Earth could be opposed to "old ladies" not getting thrown out of their homes?

The problem with the view is that it has very little basis in reality and seems to be clueless on where the economy seems headed. Even worse, it doesn't seem to understand what just happened in the economy, during the halcyon days of the "new economy" that seem suddenly to have ended.

* In this new economy of old, we were told that the business cycle had been "repealed" and that positive government thinking about the economy was no longer needed. It would take care of itself, and was taking care of itself already, with a reversal in the long-term decline in wages and incomes, and productivity growth, that occupied us in previous columns. Unfortunately this too turns out to be an almost entirely made-up fact. The "new economy" was largely hype. Especially now, in the words of the immortal Who song, it's important that we don't "get fooled again."

How to avoid that is our subject next week.

Joel Rogers is director of COWS, the Center on Wisconsin Strategy, at the UW-Madison. COWS is sponsoring "Sustaining Wisconsin," a statewide dialogue about the future of Wisconsin.

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