

“Bold.” That was about the kindest word tax-cut opponents could muster for the president’s economic plan.

Then out came the class-warfare knives: *It’s a sop to the rich. The president cares more about his country-club buddies than about ordinary Americans.* Otherwise, his plan wouldn’t be, in the words of *New York Times* columnist Paul Krugman, “almost ludicrously tilted toward the very, very well off.”

Fortunately, Krugman got it wrong. Very wrong. His complaint centers around the president’s proposal to end the tax on dividend income, something we’re supposed to believe would affect only the boys down at the local yacht club. But in a country in which about 84 million people—representing nearly half of all American households—own stock, removing the tax on dividends no longer can

expensive for Americans to invest in our economy—which is what ending the tax on dividend income would do—is an excellent way to do this.

But there’s more to the president’s plan than a dividend tax cut. He also wants to accelerate the tax cut Congress passed last year and make it permanent. Right now, most of it is set to take effect in 2004, 2006 and later, with the whole package scheduled to be repealed in 2011. (Remember that the next time you hear someone say last year’s tax cut hurt the economy; they’re blaming something that, to a large extent, doesn’t exist yet.) Would this acceleration help the rich? Yes, it would. But guess what? It would help the not-so-rich, too, because each and every tax rate is set to drop. In short, if you pay taxes, you’re getting a tax cut.

CUTTING REMARKS

By Edwin Feulner

be said to benefit only the rich.

Got a 401(k) plan? How about an individual retirement account (an IRA)? Such investment tools have thrust millions of Americans who make \$60,000 or less per year into the “investor class.” Yet Krugman and others are clearly trying to leave us with the impression that only those who subscribe to *The Wall Street Journal* and have Roman numerals in their names would profit from a dividend tax cut.

A recent Heritage Foundation analysis of IRS data shows that many Americans who invest in the business of America aren’t “rich.” They’re single, married and retired Americans who make under \$100,000 per year.

Yet even those who invest their money in nothing more complicated than a savings account would benefit. Why? Because the president isn’t aiming merely at giving the economy a short-term “stimulus.” He wants long-term, sustainable growth. Making it less

Speeding up the 2001 tax cuts and making them permanent would have other benefits, too. Research by my Heritage Foundation colleagues shows it would create more certainty and improve incentives to work, save and invest—and thus improve the economy. In particular, it would help small businesses, the backbone of our economy. Many small-business owners pay the top individual tax rate. If they are uncertain about how much the government will punish their success—that is, take in taxes—they will resist expanding their operations now.

In addition, a faster, permanent tax cut would give the stock market a boost. Investors don’t see tax cuts that are gradual and temporary as a safe bet. That means fewer people will put their money in the market—and it will be a long time before we see the Dow above 10,000 again.

That's too big a risk to take. If we're going to cut taxes and give our economy the momentum it needs, let's be "bold"—and do it right.

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