PS for 3/8/90

How to Spend the Peace Dividend

A combination of President Bush's "read my lips" determination to veto any tax increases plus the shadow of the federal deficit has kept the liberal Democratic Congress from initiating any new spending program. But now, rash talk of a "peace dividend" has raised hopes in the hearts of liberals who see a new federal bureaucracy as the solution to all problems.

U.S. taxpayers have been maintaining our troops in Western Europe for years for the specific purpose of deterring an invasion by Soviet and Warsaw Pact armies. Since the Eastern European countries have been telling Soviet troops to go home, the prospect of an invasion of Western Europe has dropped low enough to cut our troops in half.

This could yield a peace dividend of up to $150 billion and the liberals have already made up their "wish list" of expensive new programs. They want a repeat of Lyndon Johnson's strategy of the mid-1960s called "reordering priorities," under which LBJ diverted billions from our strategic defense budget into a series of handouts to targeted constituencies.

We don't yet know how much the peace dividend will be, and it would be prudent not to spend it until we have banked it. But since the liberals are already planning how to spend it when we get it, and are even planning to legislate authorizations so they will have the bureaucracies in place, conservatives should stake out our demands now.

Conservatives should demand that any "peace dividend" belong to the people, not the politicians. The peace dividend should be used at least one-half for tax cuts (NOT new spending) with the other half used to reduce the deficit. Those clamoring for tax reduction should determine the battleground of debate.

Some are already lining up for tax cuts, particularly in the capital gains tax and the Social Security payroll tax. While I never met a tax cut I didn't like, one type of tax cut would be the fairest of all: a tax cut on families with children.

This should be accomplished by substantially increasing the Exemption for each dependent child. The Exemption should be increased from its present figure of

$2,000 to $6,000 in order to give a child the same value in the income tax system that a child had 40 years ago.

It is shocking the way that the federal tax burden has been dumped on the backs of the most hard-pressed, hard-working, socially-productive element of our society: employed parents who are supporting dependent family members, raising young children, and paying taxes, too. Income taxes have increased dramatically on this group out of all proportion to taxes on every other segment of our society.

Congress skewed the tax burden against parents of minor children without any public discussion or debate. Parents were made to carry a disproportionate share of the costs of everything from the Vietnam War to foreign giveaways to the HUB scandals to the Savings and Loan bailout.

Redressing past inequities is not the only reason why families with young children deserve a major tax cut. Look to the future and see that families with young children are the “capital” of the Social Security system.

Even if the excess Social Security tax revenue about which Senator Daniel Patrick Moynihan complains were out into a “trust fund,” that would be only a small part of what is needed to provide retirement benefits for the Baby Boomers. The lion’s share will be paid out of the wages earned by their children, since benefits are always paid out of current revenues.

It follows that the most productive as well as the most equitable thing we can do to Social Security is to cut taxes now on those who will be inescapably hit for heavy Social Security taxes in the near future.

Equity demands a $6,000 tax Exemption for every dependent child; it can be phased in at a $1,000 increase a year until the goal is reached, and as the peace dividend becomes available. The revenue loss would ultimately be about $40 billion a year.

Converting the peace dividend into tax exemptions for dependent children is not only an idea whose time has come, but it would solve the other problems, too.

Increased child Exemptions would cost much less, and be far more equitable, than the Moynihan proposal to cut Social Security payroll taxes. It’s the workers with children who deserve the cut because they are incurring the heavy expenses of raising the children who will pay the taxes to provide the retirement benefits not

only for their parents but also for all the others who did not have any children or had only one child.

Increased child Exemptions answer the plea that Federal Government should “do something” to help parents cope with child care costs. Increasing the Exemption from $2,000 to $6,000 per child would be far fairer and more generous than anything that could be provided by a baby-sitting bureaucracy, and furthermore would allow parents 100 percent freedom of choice in child care.

Baby Boomers of the world unite! You have nothing to lose but the chains which entrap you in an unfair federal tax system. Demand a $6,000 income tax Exemption for every dependent child!