

BUSINESS

Economic stimulus plan scored as unfair, off target

By Tim Shorrock

WASHINGTON (IPS)—The \$100 billion Republican stimulus bill being considered in the House of Representatives is badly skewed towards the rich and will do little to stimulate the immediate investment needed to pull the United States out of recession, says Nobel economics laureate Joseph Stiglitz.

Recent drops in sales figures nationwide show "there's very little doubt we're in a recession," says Stiglitz. "The proposals from the White House and House Republicans don't address this country's needs."

"The Sept. 11 attacks have brought us together," he adds. "It is not fair if a lot of the tax benefits go to a few rich people."

The House Ways and Means Committee, in a partisan vote of 23-14, passed the stimulus package. Its centerpiece is a tax cut, similar to one implemented during the summer, which would provide tax rebate checks to lower-income workers and accelerate tax reductions for middle- and high-income tax-

payers. The bill now goes to the full House.

The bulk of the Republican package—\$70 billion in tax credits—will go to corporations through provisions to establish a permanent investment tax credit, eliminate the corporate alternate minimum tax, and cut the capital gains rate. Corporations will also be given accelerated tax write-offs for investments in plants and equipment. A special tax break was provided to financial services companies with operations abroad.

The importance of the tax breaks to the corporate sector could be seen Oct. 12 in the Ways and Means Committee hearing room, which overflowed with corporate lobbyists from industries including insurance, home building and oil and gas, as well as companies including General Electric. Its financial services subsidiary, GE Capital, has an enormous presence overseas.

To Stiglitz, who won his Nobel Prize for research into the imperfections of markets and their inability to allocate resources fairly, the bill is a classic example of his theo-

"There's very little doubt we're in a recession."

— Joseph Stiglitz

ries. Not only are the Republican proposals unfair, he says, they will not stimulate the new investments needed to create new jobs.

He is particularly critical of the tax reduction package for individuals in the 28 percent tax bracket.

How much will a worker making \$50,000 a year, say a New York City firefighter, get from this? "Zero," says Stiglitz. "But a modest person trying to get along on a \$5 million income? Over four years they'll save \$600,000."

As for the lower-income bracket, Stiglitz says the Bush tax refund last summer, which provided about \$600 to families, had "almost no impact on national consumption."

"Just think about the inequity," he says.

Nevertheless, Republicans say the bill will get the U.S. economy back on track. The package "carefully balances the need for an immediate and vigorous jump-start

with recognition of the long-term repercussions on the federal budget," says Rep. Bill Thomas, R-Calif., chairman of the Ways and Means Committee. "The depth and duration of a recession can be minimized with concrete action."

The problem with the permanent investment credit, Stiglitz adds, is companies won't have any motivation to invest in the near term. "Why would you invest in today's uncertainty when you get the same credit in three years or when things get straightened out?" he asks.

Similarly, the benefits of proposals to reduce the corporate minimum tax and capital gains tax will accrue to "old capital, old investments" made five or even 10 years ago. In any case, "80 percent of the gains go to about two percent of the population," he says.

Congress, Stiglitz says, must recognize that a recession

has already begun and pass a "low-cost stimulus" that gets "the biggest bang for the buck," with benefits evenly provided.

First and foremost, he argues, Congress must extend the duration and magnitude of unemployment benefits. "Our safety net is gone," he says. "Our first priority should be full employment."

Second, any investment tax incentive must be temporary, designed to "encourage people to make the investment today when the economy needs it."

Third, the package should expand federal revenue sharing with states and local governments, helping them avoid the inevitable cutbacks during a slowdown "that affect every segment of society," particularly in health care and education programs.

Finally, Congress should focus expenditures on "high return areas" in the public sector, which Stiglitz says has been "starved" for investment. The nation's air traffic control system and inner-city public schools should be first in line.

Stiglitz also criticizes re-

cent legislation bailing out the airline industry. U.S. carriers, he says, "have used Sept. 11 to resolve problems of their own making. Corporate welfare has increased under the current administration. If we try to undo the impact of every change that has occurred, this is not a market economy."

Democratic leaders are opposed to the Republican bill and hope to negotiate a better package after the House approves the legislation and sends it to the Senate. Like Stiglitz, the Democrats say the bill provides too much for business and not enough assistance for the unemployed.

Stiglitz was chairman of the Council of Economic Advisers under President Bill Clinton. He was later appointed chief economist at the World Bank, where he rattled top U.S. Treasury officials with his public critique of the International Monetary Fund's policies in Asia and Russia. He was fired from that position in 2000 and returned to academia.

Stiglitz is now a professor of economics at Columbia University in New York City.

Bahamas freezes alleged \$20 million terror account

By Bert Wilkinson

NASSAU (IPS)—When the United States released a list of 22 suspects sought in connection with the Sept. 11 terrorist attacks, a jolt of recognition ran through this Caribbean island chain's financial sector.

Authorities have frozen a \$20 million account at one of the country's most prestigious banks, saying it is linked to at least one of the men on the list. The move has brought to the fore wealthy nations' concerns about the abuse of offshore tax havens and Caribbean states' complaints that their financial centers are being unfairly targeted.

Prime Minister Hubert Ingraham says the account was opened in 1994 in the name of an undisclosed U.S. citizen of Arab descent. It had four beneficiaries, one of whose name also showed up on the U.S. list of suspects.

Officials say a U.S. citizen established the trust account and named his four sons as its beneficiaries. Accrued interest was withdrawn periodically but apart from this, the account was largely inactive.

Ingraham says he does not

plan to release any further information on the account, in keeping with banking confidentiality practices here, but confirms that it has been frozen.

"We will redouble our efforts against money laundering and, specifically, we will not permit our vital sectors to be used to support terrorism," Ingraham says. He adds that his government has no evidence that interest withdrawn from the account was used to support terrorism.

The name of the bank also is being withheld but officials say it is one of the world's leading finance houses, with operations in all of the member states of the Group of Seven (G-7) industrial powers as well as throughout the Caribbean.

The archipelago's financial intelligence unit is working with U.S. authorities on an extensive probe to determine whether any of the hundreds of suspects picked up since the Sept. 11 attacks had used the Bahamas banking system for any reason.

This follows government confirmation that three of the 19 men suspected by the United States of hijacking planes and crashing them into

the Pentagon and World Trade Center flew to the Bahamas in the past year.

Government officials will not release the names of the three terror suspects but say two were prevented from entering the country because they lacked visas. They also came from the U.S. mainland, some 90 kilometers away.

The most recent arrived in May on a light aircraft that authorities believe was a training flight. The plane was flown to Freeport and returned to the U.S. within a few hours.

On the plane with the suspected hijacker were a German and Greek national. Ingraham says one of the men might have been the owner of a passport found among the debris at the World Trade Center.

Jamaican Prime Minister P.J. Patterson says Caribbean countries want the Western nations who dominate the Organization for Economic Cooperation and Development (OECD) to back down from listing the region's offshore financial sector as a haven for money laundering. Much recent evidence, he says, suggests that Western

financial institutions have been the major culprits.

"We have repeatedly stated that we are not involved in money laundering and we are working collectively and would want to ensure that the restrictions that have been threatened are totally removed," Patterson told IPS.

"We feel that this thing has to be addressed by the global community and one side simply cannot make rules they want to impose on others. For a very long time they have been making aggressive moves on us to impede many of the countries," he adds, referring to OECD threats and use of punitive measures in a bid to bring offshore banks under mainland regulatory practices.

OECD countries have targeted the region's banks for providing safe haven for money launderers and criminal enterprises. Offshore accounts typically are used to avoid paying taxes at home and represent a loss of revenue for OECD governments as well as a loss of business for banks based in those countries.

Grenada Prime Minister Keith Mitchell says successive financial scandals have

shown that the problem "has primarily been in the larger countries."

"But when you have power and you are large you can make demands," he adds. "We hope that that is not go-

ing to be the order of the day, that the thinking process would have changed."

Elsewhere in the Caribbean, Bermuda is readying itself to deal with biological (See *Terrorism*, Page 7)

Foreclosure Sale

120 Units

Las Vegas, Nevada

Property:
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Las Vegas, NV 89115

Date and time of sale:
December 04, 2001
12:30 pm local time

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Clark County Courthouse
200 S. Third Street (Front Steps)
Las Vegas, NV 89101

Terms:
All Cash
Unstated Minimum

To submit a bid:
Bid may be submitted in writing or made orally at the foreclosure sale. Interested parties must obtain a bid kit before they can bid

For a bid kit:
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Fax: (214) 905-9931
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