THE BLADE

Restore aid for states

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HOUSE and Senate conferees must work quickly to bring a compromise stimulus package to President Obama's desk, and part of that compromise should be restoring aid to states slashed in the Senate version.

In order to win the backing of three moderate Republicans and move the bill, the Senate's $838 billion spending plan, passed on Tuesday, was tipped in favor of more tax cuts and fewer dollars in direct and targeted aid to states.

Despite the admirable intention in cutting $40 billion from the House bill, the Senate change would only create more potential hardship for states, including Ohio, which already are struggling to avoid budget cuts that will imperil education and put thousands more people out of work.

Cutting federal aid to states only moves fiscal problems downstream, closer to taxpayers, and would negate at least part of the stimulus the package is intended to generate.

Part of the problem in Congress is philosophical. Even moderate Republicans have difficulty accepting that the GOP mantra of the last eight years - that if businesses and wealthy individuals are given tax cuts they will use that money to create jobs - was wrong. Only demand for products creates jobs, and demand is created by millions of regular people having money in their pockets.

Both the House and Senate versions of the stimulus package include provisions to put money in the pockets of the people who need it most and are most likely to spend it quickly. Increasing and extending unemployment insurance, expanding the Earned Income Tax Credit and Child Tax Credit, increasing spending on food stamps and child care subsidies, and giving a tax credit of $500 per worker ($1,000 for couples), will have a reasonably quick impact on individuals and families in need, and should generate economic activity.

The same, we believe, is true of direct aid to states. That's because money given to states tends to be moved into the economy quickly. But the Senate's stimulus package provides less than half what the House plan included to help states save or create jobs while maintaining services.

Gov. Ted Strickland says the effect would be devastating, costing Ohio some $930 million and perhaps leading to increased tuition for 40 percent of public college students, the closure of two prisons, layoff of thousands of state and local government workers, and cuts to mental-health and drug-treatment services. In other words, cutting aid to states only slows the economy further.

And for what? The Senate bill makes changes (at a cost of $70 billion) to the Alternative Minimum Tax, which will benefit the well-to-do but have minimal effect on the economy. It also provides $39 billion in tax credits to anyone who wants to buy a house, but upper-income home buyers will be the chief beneficiaries. And then there's $11 billion to make interest payments on most vehicle loans and sales taxes deductible, a provision unlikely to change the mind of anyone who's been putting off buying a vehicle.

It's been said that there are no atheists in foxholes. Apparently, there are few dogmatic Republicans in governors' mansions during a recession either. Apart from a few diehards such as Republican Govs. Haley Barbour of Mississippi, Mark Sanford of South Carolina, and Rick Perry of Texas, most governors, Republican and Democrat alike, are pinning their budgets on federal aid to help them avoid cutting programs. That's why Republican Florida Gov. Charlie Crist appeared with President Obama as the President stumped for the stimulus package in Fort Myers.

Spending must address both short-term needs and long-term goals in combatting the recession.

The House's $79 billion package of aid to states recognizes that short-term responsibility much better than its smaller Senate counterpart and should form the basis of the stimulus plan President Obama is presented to sign.

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