

A Stimulating Proposal

By: Howard Baron CPA, JD

A fresh idea for stimulating the U.S. economy

The bad economic news abounds. The stock market fell to 12-year lows. Unemployment rose to 25-year highs. The Dow's triple-digit losses sicken and have left investors stunned, afraid and angry. The unthinkable has become routine. Who would have thought a year ago that General Motors Corp. would say in a government filing last Thursday that its accounting firm has found there is "substantial doubt" about the automaker's ability to survive? We are talking about an icon of America's industrial might. Or that Citigroup, once considered one of the world's mightiest financial institutions, would see its shares slip below \$1 a share, as it did last week? Are you kidding me?

The effects are being felt worldwide. Eighteen months into this mess and at least one thing is abundantly clear: Ending this economic crisis won't be easy. Governments around the world have acted swiftly, injecting massive amounts of money into banks and their economies in order to stimulate lending, hope and demand. President Barack Obama said today in his weekly radio address: "We will continue to face difficult days in the months ahead. But I also believe that we will get through this -- that if we act swiftly and boldly and responsibly, the United States of America will emerge stronger and more prosperous than it was before." This economic situation isn't getting better; it's accelerating from bad to worse. I read the President's comments as code for -- get ready for another economic stimulus package.

Consumer led recession

I have a suggestion. Instead of giving Congress billions more to spend as they see fit, why not give it to consumers directly? Not just some consumers... ALL consumers. This is a consumer led recession now. The banks have yet to respond with free flowing credit. Members of Congress are and have been too busy arguing with each other, calculating how they will benefit for the crisis. Who trusts them now? Answer: No one. Here's the cold truth: Consumers are hurting, unemployed and in debt. It's the collective herd of the almighty U.S. consumer that's holding on to their pennies and holding back the economy. If policy makers want to create an economic stimulus that will actually get spent on goods and services and will in turn stimulate business, I have a plan: A national debit card.

Call together the credit card company executives and, using best practices, create a debit card that will be accepted virtually everywhere. Get together with the census bureau, the social security administration, the I.R.S. and the states to compile a list of every man, woman and child who is a U.S. citizen. While we're at it, it'll go a long way towards complying with the law regarding an accurate population count. Then send them all a card in the mail, through the web or they could pick them up in State and local government offices. Say \$500 bucks a head. Parents get the money for their kids under

18 years of age. Everyone else gets to spend it any way they want. Here's the fine print: 1) You can't use the debit card to pay down debt. 2) There's a six-month window, use it or lose it, and 3) It has to be spent in the U.S. (but not necessarily on U.S. goods).

The debit card is different from former President Bush's stimulus checks of May 2008 because you cannot pay down debt, you cannot save it and EVERYONE receives it. The right will complain that it's a redistribution of wealth. They're right. So what? The left will complain that rich people will get money they don't need. They're right. So what? The politicians will wonder what's in it for them. Too bad. Everyone else will think it's a great idea, In effect, everyone will be contributing to a much needed charitable organization, namely the USA. Everyone is included because everyone is needed to do what Americans do best, namely spend money. We all need our economy to find its feet. It'll jolt the economy, guaranteed.

Our President went on to say in his radio address: "We've experienced great trials before. And with every test, each generation has found the capacity to not only endure, but to prosper -- to discover great opportunity in the midst of great crisis. That is what we can and must do today."

"I'm confident that at this defining moment, we will prove ourselves worthy of the sacrifice of those who came before us, and the promise of those who will come after." said Obama.

Even for one who tends to be conservative, I agree. A national debit card anyone?

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About Howard Baron, CPA, JD:

Howard Baron, founder of the Baron Companies, is a financial planner, investment advisor and CPA who holds both BBA and JD degrees. He has over 30 years experience working with clients to provide accounting services, tax-advantaged investment strategies and financial planning solutions that meet immediate needs and move them closer to their long-term goals.

The firm offers a variety of free decision-making tools and worksheets related to financial and tax planning matters at <http://www.BaronCompanies.net>.