



AP Photo

President George W. Bush, center, meets with Wall Street economists at the White House yesterday.

Lining Up Support for Tax Cut

Bush meets with economists who back \$726B proposal

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Washington — President George W. Bush fired a tactical shot at Congress and a preemptive strike at public opinion yesterday as he used a meeting of business economists to generate support for his flagging jobs and tax cut package.

While Congress negotiates the size of the tax cut it will consider this year, Bush, Treasury Secretary John Snow and chief White House economic adviser Stephen Friedman met with 10 business economists to tout the benefits of the \$726 billion in tax cuts proposed in January. The hour-long White House meeting came just before tomorrow's politically charged announcement of unemployment statistics that are expected to show the number of people seeking work has risen to 6 percent, the highest level in nine years.

"The economy did not just hit a soft spot in February and March, it sank underwater," said Louis Crandall, chief economist for Wrightson Associates, the Wall Street investment house. Crandall was not invited to the meeting, which included carefully chosen supporters of the president's proposal to accelerate tax cuts approved two years ago and end the dividend income tax.

Among the economists attending were Ed Yardeni, chief strategist of Prudential Securities; Frank Fernandez, chief economist for the Securities Industry Associa-

tion; and Lizann Sonders, chief investment strategist for Charles Schwab. They praised the Bush plan.

The session coincided with meetings on Capitol Hill during which House and Senate negotiators met to reconcile differences between their conflicting plans for federal spending in the 2004 fiscal year.

House Republicans have muscled through a proposal that balances the budget in 2012 and includes the full \$726 billion tax cut proposed by Bush. In the Senate, where Republicans hold a two-vote margin, a coalition of Democrats and four moderate Republicans trimmed the tax package to \$350 billion. Congressional Republican leaders, including Senate Finance Committee Chairman Charles Grassley (R-Iowa), have left open the possibility of a \$550 billion compromise plan.

Complicating the president's argument that big tax cuts will ignite the sputtering economy is a recent report by Douglas Holtz-Eakin, director of the Congressional Budget Office, a strong advocate of "dynamic scoring," a method for calculating the federal budget that takes into account increased economic activity and revenue generated by tax cuts.

Tax cut advocates have talked about the "payback" the tax cuts would generate. But Republicans expressed surprise when Holtz-Eakin concluded in his report that the dynamic scoring assumptions included in the Bush budget proposals show the economy would be stimulated only a little.

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