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ABC, CBS and NBC Ignore Economic Cures Ranging from Raising I.R.A. Cap to Ending Dividend Taxes

Why No TV Coverage of Tax-Cut Solutions?

During the run-up to President Bush's symbolic summit on the economy, the liberal media have focused on the political angles, including the well-heeled guest list and Hillary's bizarre self-invitation. But in the face of this year's economic storms — a potential double-dip recession, tumbling stock prices, and corporate fraud — none of the three broadcast evening news shows have given the slightest coverage to proposed remedies that might mean a few less dollars for the federal government:

■ **The falling stock market has hurt tax-exempt I.R.A. and 401(k) retirement accounts.** "About 20 million Americans have their 401(k) retirement funds heavily invested in stocks," ABC's Erin Hayes explained on *World News Tonight* July 11. "Estimates are over the past couple of years, those funds have lost anywhere from 30 to 60 percent of their value."

Congress could soften the blow by raising the arbitrary caps on how much individuals can contribute to their tax-exempt accounts, advised Muriel Siebert, the respected head of Siebert Financial Corp., in an August 6 *New York Times* op-ed. "We must quickly give individual investors a chance to rebuild their portfolios and incentives to return to — and thus preserve — our capital markets," she recommended.

As is the case now, retirement accounts don't need to be entirely in stocks; selecting bonds and mutual funds would help investors diversify, reducing future vulnerability. "The only cost to the government would be the lost tax revenues on the additional income diverted into 401(k) plans and I.R.A.'s," wrote Ms. Siebert. "This is a small price to pay to give so many people a chance to help themselves."

■ **Shareholders' control over big business has been undermined by excessive taxation of dividends.** Economist Bruce Bartlett explained in an August 1 column: "A key way shareholders exercised control in the pre-corporate tax era was by demanding that firms pay out a large percentage of their profits in the form of cash dividends. Among other things, this helped guarantee that corporate earnings were 'real' and not based on creative accounting."

But Congress created a tax code hostile to dividends, by first taxing a corporation's profits and then levying a second

tax on profits distributed to shareholders as dividend checks. "Eventually, companies and shareholders figured out it was mutually beneficial either to retain corporate profits, thereby raising the value of company assets, or use those profits to buy back shares on the open market," Bartlett related. Instead of dividends, "shareholders got their earnings in the form of capital gains," which can be taxed at a much lower rate.

On August 6, the *Wall Street Journal* called for an end to the tax code's disincentive for dividends: "Lifting the tax yoke from dividends would be good for stock prices and good for the economy. If the White House is looking for a way to help the economy — and an agenda item for November and beyond — this is it."

Not a single word about these tax-cutting ideas was uttered on ABC's *World News Tonight*, CBS *Evening News*, or NBC *Nightly News*.

■ **In spite of recession danger, the next tax cut won't happen until 2004.** Cutting taxes earlier means the economy can receive the job-creating, pro-growth benefits sooner. "Deferring rate reductions inevitably means that their economic benefits also will be

delayed. All scheduled tax rate reductions should take effect immediately," the Heritage Foundation's tax expert Dan Mitchell proposed in May.

William Dudley, the chief U.S. economist for Goldman Sachs, told CNN's Lou Dobbs on August 5 that the weak economy warranted a more aggressive strategy: "Cutting taxes down the road doesn't make sense when the economy needs the support now." Yet the networks still portray tax cuts as economically harmful, even though the private economy benefits when government takes fewer dollars for itself.

The phony deficit hawks at ABC, CBS and NBC scold tax cutters even as they help push big new spending programs such as a prescription drug entitlement. If the economy is really as troubled as they say it is, couldn't network reporters find a few moments to mention three proposals that might help beleaguered savers and boost the economy? Or is filling the government's coffers more important than boosting economic growth? — *Rich Noyes*

L. Brent Bozell III, Publisher; **Brent Baker, Rich Noyes**, Editors; **Jessica Anderson, Brian Boyd, Geoffrey Dickens, Patrick Gregory, Ken Shepherd**, and **Brad Wilmouth**, Media Analysts; **Kristina Sewell**, Research Associate; **Liz Swasey**, Director of Communications. For the latest media bias, sign up for daily *CyberAlerts* at www.mrc.org.