

THE WALL STREET JOURNAL.

Encouraging Savings Would Help Savers and Growth

The universal savings account idea is an excellent one, but whether it is a political winner that eventually can be adopted in a simple, economically efficient form isn't so simple.

By Brian Reed
September 1, 2014

Amity Shlaes and Chris Edwards urge 2016 presidential candidates to follow Canada's lead and propose "a Universal Savings Account" (USA) for all Americans that would grow tax-protected and incur no tax penalties upon withdrawal for any reason ("A Simple Tax Reform Can Help Families and Promote Economic Growth," op-ed, Aug. 25).

The USA idea is excellent, but whether it is a political winner that eventually can be adopted in a simple, economically efficient form isn't so simple. About half of American tax filers pay no federal income taxes. Permitting those Americans to set aside after-tax money that grows tax-free offers them no financial benefit. Savings and investment have been trashed by Democrats and their media partners as provinces of the rich, so reorienting public attitudes about economic growth that comes from savings as opposed to spending will be a challenge. Spending obviously is more fun, and Democrats have pounded home the message that income transfer programs such as unemployment benefits and food stamps are the greatest economic growth stimulants. A GOP candidate will need to counter years of spending (demand-side) biases that are appealing and ingrained.

A Democrats' universal savings account would include just two changes. It would be universal for all but the wealthy and it would include a tax credit (i.e., government payment) for those who don't pay income taxes. The credit would be deposited into their USAs. If the Democrats win in 2016, USAs still may be on the agenda, just not in a simple, universal, savings-driven form geared toward middle-class taxpayer relief.