

The Stimulus Bill

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The stimulus bill was wrong and will be harmful to this country. The theory behind the stimulus bill is flawed. The stimulus bill added an enormous amount of debt to our country; which could take a short-term job killing recession and turn it into a long-term job killing economy. Third, the stimulus bill was horribly crafted and did very little to stimulate our economy or rebuild and expand our infrastructure.

The stimulus bill is based on a theory that during down business cycles the government can increase short term spending and pull us out of a recession or at least make it a shallower recession. Quite simply, a recession is defined as two consecutive quarters of negative gross domestic product (GDP). GDP is the total value of all of the goods and services produced in the country and the demand for these products comes from consumer spending, investment, government spending, and net trade. Thus the thought process is that when consumer spending and investment demand decreases, government spending can be increased to maintain or lessen the drop in the demand levels in the short-term until consumer and investment demand begin to increase. This sounds logical enough, but there is some major weakness.

First a recession needs to be better understood. In our dumbed down, 3 second soundbite, Attention Deficit Disorder society, recessions are simply called bad. We've created a caveman political spectrum, "Ooh ooh, chest bump, Recession bad, jobs good, ooh ooh, government help you, good, ooh ooh, rich, bad; you good, ooh ooh, rich pay, you no pay, good, ooh ooh rich pay; you benefit, good, ooh ooh, chest bump." However, recessions are not simply bad, they are necessary, and in the long run they create a more efficient economy and are vital to increasing our standard of living.

Look, the simple fact is that when the economy is growing, business is going to thrive in the areas of high and increasing demand. The best businesses are going to have larger and larger demand because they provide not only products and services that the public wants, but the best products and services that the public wants. They will try to meet that demand through growth or more efficiency with the people they already have. Company growth will mean more jobs by either directly hiring more people, or through capital investment; which will increase demand for other products and services. If the company is able to meet increased demand with the workers that it currently employs then it will typically result in higher wages.

Unfortunately when the demand keeps rising in a sector, good companies have to grow so fast to keep up with their demand they lose their efficiencies, and either raise prices or have shrinking profit margins. More often than not bad companies grow market share simply because good companies cannot keep pace with the rising demand or have to price themselves out of work. Simply put, it becomes an inefficient market place. Eventually, the rising prices of quality goods and services, or the lack of quality from cheaper goods and services will begin to slow demand. At this time profits start to drop, and even good companies have outgrown what made them efficient in the first place. Bad companies become a bigger risk for total failure. Eventually this creates a tightening

up in the economy, as companies begin to trim their fat, and hence, workers are forced to do the same.

When all the sectors begin to tighten, a retraction of the economy begins. This isn't a negative thing, yes people lose their jobs, but this is only temporary. Companies are forced, not by the government, but by the marketplace to become more efficient. Not all companies will be able to become more efficient, and some will make bad choices that will put them out of business, but companies will improve efficiency. Eventually higher quality products and services at equal or better prices will again increase demand. And the cycle continues.

Typically GDP returns to its pre-recession levels well before employment returns to its pre-recession levels. That means the economy as a whole will produce the same amount of goods and services with far less people. That is efficiency, and efficiency is what leads to a higher standard of living for all of us.

If we try to shallow and avoid recessions, we will only further inefficiencies in the marketplace which will eventually lead to larger and more painful recessions. For example, the government interceded in our last recession at the beginning of this decade with tax cuts and rebate checks, and while it may have shallowed that recession, it has possibly led to the depth of this one. Also government spending often increases demand for products and services that no one wants, and while companies will try and meet these demands, as soon as government spending on them stops, there will be no demand for them and those jobs will be lost. Why create false sectors of the economy that create products or services that no one has any demand or need for?

Secondly, our current government fiscal policy does not fit the model for a stimulus. If our government was on a balanced budget, and had some emergency funds available, a short term spending shot on either infrastructure, to help businesses lower costs and increase efficiency, or unemployment benefits, to soften the pain of the recession, could ease the short term pain of the recession. However, that is not what we have in this country. The Federal Government has been massively increasing its spending the last few years and is already at record levels. In a sense every budget we pass is a 'stimulus' bill.

The US National debt as of 7/1/09 was \$11,518,472, 742,288 (\$11.5 trillion) [1]. In 2008 the Federal Government brought in approximately \$2,524,300,000,000 (\$2.5 trillion) [2] in revenues (taxes). The government paid \$412,000,000,000 (\$412 billion) [1] of those revenues towards interest payments on the debt. The US population as of 7/3/09 is approximately 306,823,125 [3]. That means just to make the interest payments on the debt in 2008, if we were to split up the payments evenly, every American would need to chip in \$1,343. To pay off the debt completely, every American would have to chip in \$37,541.

As bad as that seems, the deficit in 2008 was approximately \$458,000,000,000 (\$458 billion) [2], but in 2009 it is estimated at \$1,841,000,000,000 (\$1.854 trillion) [2]; which increases the deficit 400% in one year. This year alone our government is planning to spend \$6,000/per citizen more than it collected.

This needs to be broken down to a personal level. Imagine a person that is \$450,435 in debt. They made \$100,000 in 2008, but spent \$118,169 of which \$16,320 was on interest only payments, not decreasing their debt at all. Despite all this debt, they put together a budget for 2009 where they plan to spend \$185,371 with the promise that

in ten years they will have trimmed their deficit in half by spending only \$142,685. In ten years they would have increased their debt by \$213,856 to a total debt of \$664,291 and would now pay approximately \$24,068/ year on interest only; assuming their interest rates and salary stayed the same; which is highly unlikely with this type of borrowing. Now what fool would even conceive to loan this person that kind of money? Taxpayers do.

Lastly, this was a terrible bill that had more to do with political kickback than practical application. This bill was sold to the public as a stimulus for shovel ready projects, yet it reads more like the budget, expanding spending in every area of the government. One would expect a stimulus bill to be focused on road work, job training, building upgrades, and actual investment. It would still be borrowed money, but at least at the end of the day the American people would be left with some equity. However, this bill appeared to be crafted by the teachers' unions and environmentalists. It was riddled with spending on regulations and oversight, environmental and climate issues, and a ton of education spending; very little of which increases demand for the products the private sector produces.

While there was some spending for roads and infrastructure, it came with strings attached stating that it needed to be 'green'. For those not familiar in construction, 'green' is a term for higher administration costs and longer construction schedules with little to no value added for the owner or investor. The point is, you can't claim to be providing a stimulus to the economy with a short term shot in the arm and then riddle that spending with regulation. In fact if you wanted to truly stimulate the economy, regulation should be cut as it is an expense to businesses and the government. The government could reduce spending and lower business' costs at the same time if they just cut regulations.

Personally I recommend everyone read this bill for themselves. Its available for free, at this website: www.whitehouse.gov/the_press_office/arra_public_review/ , just click on "the final text of the legislation". I challenge anyone to read this bill and look me in the eyes and tell me this is a good bill that will stimulate the economy and does not waste taxpayer money. Literally when I first read this bill, every page I looked at was millions or billions of wasted dollars. People don't even believe me when I tell them what we are spending in this bill. Remember a stimulus bill needs to be specifically focused to increase demand on private sector products to bring up private consumption and investment, thus shallow the recession and increase employment. I've listed numerous items below that were included in the bill to give specifics to what I'm trying illustrate:

- 1) *Bureau of Censes-* \$1,000,000,000 (**\$1 Billion**) for **"Periodic Censuses and Programs"** \$3.26/citizen

Is this a budget or a stimulus bill?

- 2) *Department of Justice-* \$1,000,000,000 (**\$1 Billion**) for **"Community Oriented Policing Services"** \$3.26/citizen

I wonder who though of this one?

- 3) *Department of Energy*- \$16,800,000,000 (**\$16.8 Billion**)
 Department of Energy- for “**Energy Efficiency and Renewable Energy...Provided that...the Secretary of the Energy** upon a determination that there is a severe shortage candidates or a critical hiring need for particular positions, may from within the funds provided, **recruit and directly appoint highly qualified individuals** in the competitive service” **\$54.90/citizen**

- 4) *Department of Energy*- \$1,600,000,000 (**\$1.6 Billion**) Department of Energy- for “**Science**” **\$5.22/citizen**

 “Science”, now that’s focus.

- 5) *Title III-Borrowing Authority (Western Area Power Administration)*- \$3,250,000,000 (**\$3.25 Billion**) for “delivering or facilitating the delivery of power generated by energy renewable resources constructed or **reasonably expected to be constructed** after the date of this enactment” ... “**the Administrator** shall have **the authority** to have utilized \$1,750,000,000 (**\$1.75 Billion**) at **any one time**” ... “If, at the end of the life of a useful project, there is **a remaining balance** owed to the Treasury under this section, **the balance shall be forgiven**” ... “**Funds expended** to study projects that are considered pursuant to this section, but that are **not constructed** shall be **forgiven.**” **\$10.62/citizen**

- 6) *Small Business Administration*- \$6,000,000 (**\$6 Million**) for “the cost of **direct loans**” **\$0.02/citizen**

- 7) *Small Business Administration*- \$630,000,000 (**\$630 Million**) –for “the cost of **guaranteed loans**” **\$2.06/citizen**

- 8) *Small Business Administration- Fee Reductions* “Until September 30, 2010, and to the extent that **the cost of such elimination or reduction** of fees is **offset by appropriations**, with respect to **each loan guaranteed** under section 7(a) of the Small Business Act”

- 9) *Small Business Administration, Salaries and Expenses*- \$69,000,000 (**\$69 Million**)- for “**marketing, management, and technical assistance**” **\$0.23/citizen**

To clarify, if the \$3.25 billion we have given to the Western Area Power Administration results in non constructed projects, we will forgive that money, however, if fees for small business loans are

reduced in the short term, we will take that money out of the \$630 million dollars available to small businesses for loans.

10) *Department of Homeland Security-* \$160,000,000 (**\$160 Million**) for “**Salaries and Expenses**” **\$.52/citizen**

11) *Department of Homeland Security-* \$100,000,000 (**\$100 Million**) for “**Border Security Fencing, infrastructure, and technology**” **\$.33/citizen**

Again 60% more funds for administration than for infrastructure.

12) *Environmental Protection Agency-* \$6,400,000,000 (**\$6.4 Billion**) for “**State and Tribal Assistance Grants**” ... “**Provided further**, That, to the extent that there are sufficient eligible project applications, **not less than 20%** of the funds appropriated herein for the Revolving funds shall be for projects **to address green infrastructure**, water or energy efficiency improvement, **and other environmentally innovative activities**” **\$20.92/citizen**

I'm sure this will be well spent money.

13) *Department of Labor-*\$500,000,000 (**\$500 Million**) for “**adult employment and training activities** including supportive services and **needs related payments**” **\$1.63/citizen**

14) *Department of Labor-* \$1,200,000,000 (**\$1.2 Billion**) for “**youth activities**, including **summer employment for youth**” **\$3.92/citizen**

Job training for unemployed workers, \$500 million; \$1.2 billion so that kids can ‘volunteer’, is it just me here?

15) *Department of Labor-* \$80,000,000 (**\$80 Million**) for “**the enforcement of worker protection laws and regulations, oversight**, and coordination activities” **\$.26/citizen**

We might as well throw in some more regulation.

16) *Department of Health and Human Services-* \$8,200,000,000 (**\$8.2 Billion**) for “**Office of the Director**” ... “**Provided**, That \$7,400,000,000 (**\$7.4 Billion**) shall be transferred to the **Institutes and Centers of the National Institutes of Health (NIH)**...” ... “**Provided further**, That **none of these funds** may be transferred to ‘National Institutes of Health-**Building and Facilities**’, the Center for **Scientific Review**, the **Center for Information**

Technology, the Clinical Center, or the Global Fund for HIV/AIDS, Tuberculosis and Malaria” \$26.80/citizen

So, we will give \$8.2 billion dollars to “Office of the Director” as long as no money is spent on stimulating projects like buildings and facilities; no assets or charities, it sounds kind of like Brewster’s Millions.

- 17) Department of Education- \$13,000,000,000 (**\$13 Billion**) for **“Education for the Disadvantaged” \$42.48/citizen**
- 18) *Department of Education-* \$720,000,000 (**\$720 Million**) for **“School Improvements Program” \$2.35/citizen**
- 19) *Department of Education-* \$200,000,000 (**\$200 Million**) for **“Innovation and Improvement” \$.65/citizen**
- 20) *Department of Education-* \$11,300,000,000 (**\$11.3 Billion**) for **“Special Education” \$36.93/citizen**
- 21) *Department of Education-* \$680,000,000 (**\$680 Million**) for **“Rehabilitation Services and Disability Research” \$2.22/citizen**
- 22) *Department of Education-* \$15,840,000,000 (**\$15.8 Billion**) for **“Student Financial Assistance” \$51.76/citizen**
- 23) *Department of Education-* \$60,000,000 (**\$60 Million**) for **“Student Aid Administration” \$.20/citizen**
- 24) Department of Education- \$100,000,000 (**\$100 Million**) for **“Higher Education” \$.33/citizen**
- 25) *Department of Education-* \$250,000,000 (**\$250 Million**) for **“Institute of Educational Sciences” \$.82/citizen**

Department of Education in total = \$42,650,000,000 (\$139.38/citizen)
Special needs or disabled = \$24,300,000,000 (\$79.41/citizen)
Improvements = \$ 920,000,000 (\$3.01/citizen)
College students = \$16,000,000,000 (\$52.29/citizen)
Institute of Ed. Sciences = \$ 250,000,000 (\$.82/citizen)

I think my zero key is wearing out.

- 26) *Corporation for National and Community Service-* \$160,000,000 (**\$160 Million**) for **“Operating Expenses to carry out the**

Domestic Volunteer Service Act of 1973 and the National and Community Service Act of 1990” \$.52/citizen

I know someone important was a community organizer.

- 27) *Social Security Administration*- \$1,000,000,000 (**\$1 Billion**) for “**Limitation on Administration Expenses**” **\$3.27/citizen**

Logic- spend \$1 billion to limit administration expenses.

- 28) *Legislative Branch*- \$25,000,000 (**\$25 Million**) for “**Salaries and Expenses of the Government Accountability Office**” **\$.08/citizen**

If I was a politician I would want to make sure this office is well taken care of.

- 29) Department of Transportation- \$1,500,000,000 (**\$1.5 Billion**) for “**capital investments in surface transportation infrastructure**” **\$4.90/citizen**

Stimulus, we have found it, 1/28th the amount for education, but we did find it.

- 30) *Department of Transportation*- \$27,500,000,000 (**\$27.5 Billion**) for “**restoration, repair, construction, and other activities eligible under paragraph (b) of section 133 of title 23, United States Code, and for passenger and freight rail transportation and port infrastructure projects eligible for assistance under subsection 601(a)(8)**” **\$89.87/citizen**

More stimulus, just not sure what all of the sections are that this involves; I’m sure they’re harmless.

- 31) *Department of Transportation, Federal Railroad Administration* - \$8,000,000,000 (**\$8 Billion**) for “an additional amount for section 501 of Public Law 110- 432 and discretionary grants to States to pay for the cost of projects described in paragraphs (2)(A) and (2)(B) of section” ... “Provided, That the **Secretary of Transportation** shall **give priority to projects** that support the development of **intercity high speed rail service**” **\$26.14/citizen**

- 32) *Department of Transportation*, \$1,300,000,000 (**\$1.3 Billion**) for “**the National Railroad Passenger Corporation (Amtrak)**” **\$4.24/citizen**

I thought Amtrak was a business that went bankrupt and the government took over ownership, and it has been losing money ever since. Where's GM's share?

- 33) *Department of Housing and Urban Development-* \$4,000,000,000 (**\$4 Billion**) for the “**public housing capital fund**” **\$13.07/citizen**
- 34) *Department of Housing and Urban Development-* \$510,000,000 (**\$510 Million**) for “**Native American Housing Block Grants**” **\$1.67/citizen**
- 35) Department of Housing and Urban Development- \$1,000,000,000 (**\$1 Billion**) for “**Community Development Fund**” **\$3.27/citizen**
- 36) *Department of Housing and Urban Development-* \$2,250,000,000 (**\$2.25 Billion**) for “**capital investments in low-income housing tax credit projects**” **\$7.35/citizen**

Bear in mind, I'm only illustrating a small amount of the spending included in this bill. Also, I've only covered the first 107 of 412 pages in the bill, yet just from what I've illustrated there is \$130.35 Billion (\$425/citizen) worth of spending. This bill's total price tag is \$787 Billion (\$2,572/citizen). This is a stimulus bill created to stimulate the economy and create and save jobs, yet it spends \$24.5 Billion on “Special needs and the Disabled” while only spending \$705 Million on small business loans of which nearly 10% is for administrative costs.

This bill is based on a flawed theory, that doesn't even apply to a country in the kind of debt we are facing. The American Recovery and Reinvestment act was not a stimulus bill; it was a gigantic spending bill that gave borrowed money to every branch of the government. It was a colossal waste of money.

Noted Sources:

- [1] www.treasurydirect.gov
- [2] www.usgovernmentrevenue.com
- [3] www.census.gov