



OBAMA'S PLAN: IT WORKED FOR FDR

By Rana Odeh

While 9.6 percent is the official unemployment rate, the Bureau of Labor Statistics estimates that the underemployment rate is 16.5 percent. Everyone complains about the deficit out of fear of consequential inflation, but the reality is that the inflation rate for this year is 1.1 percent and that is dangerously low. The U.S. economy experienced deflation in 2009 for the first time since 1955. The danger of deflation is a decrease in the real value of personal goods (your house, car, property, business) and an increase in the real value of personal debt (your mortgage, car loan, student loan).

Inflation only occurs when consumers have too much money or spending power, which we all know is not the case right now, so what we need is more government spending, not less, considering how low the inflation rate is. So who should do the spending?

When the economy is in a deep recession, its recovery depends on the collective psychology of consumers and businesses. We cannot expect consumers to go on shopping sprees when millions have lost their jobs and homes, 30 million of them are underemployed, and the rest of them are nervous and worried about the future stability of their jobs. Consequently, if businesses do not feel confident that consumers are spending significantly more and that there is an increased demand for their products and services, then they will not feel the need or desire to hire more employees. Business owners have to take care of themselves and their interests too. They are not going to hire people for charity; they need a strong incentive to do so. \$50 billion is not enough to get the American people to start spending and demanding more goods and services. It is a good start, but what the federal government needs to do is to spend a large sum of money in order to create long lasting, well paying jobs for all Americans and to bring about full employment. Only then, will people have the money to start paying off their debts (which might take a very long time) and to start buying more goods.

The reason why the \$1.1 trillion that was spent by the federal government did not work is that the money went to bail out the failing banks that refuse to extend lending to businesses and consumers. The Federal Deposit Insurance Corporation reported in August that bank profits were up 21 percent to nearly \$22 billion, but lending over the same period fell 1.3 percent, or about \$96 billion. The banks that we bailed out are reporting the highest profits they have seen for three years. How did the banks react to it? John C. Hope III, Chairman of Whitney National Bank (New Orleans), a bank that received \$300 million of

bailout money was quoted saying "Make more loans? We're not going to change our business model or our credit policies to accommodate the needs of the public sector as they see it to have us make more loans." That is the mentality of the bankers, yet nobody complained when the government gave them \$1.1 trillion.

What about the wars? Nobel laureate Joseph Stiglitz estimated in 2008 that the

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cost of the wars in Iraq and Afghanistan has totaled over \$3 trillion. Again, the complaints there were sparse. When President Obama suggests spending \$50 billion, people get angry and shut down the idea even though, with the bank bailouts and the war spending, the stimulus would be the only productive government spending that Americans would actually benefit from.

While Obama's FDR-like plan would relieve the severity of the recession, and improve America's infrastructure, there is no mention of full employment or green jobs. The federal government should be spending closer to \$700 billion to create full employment rather than a temporary fix, and we need to look at creating green jobs to improve the environmental crisis we are in. With a relatively small amount of government spending, we could create a country with full employment, lead the world in alternative sources of energy and raise the bar for clean air standards.

Let's look at what we have to lose...

We are currently in a deep recession, we have a very weak mass transit infrastructure, we rely on big oil and coal companies that continue to destroy our environment and receive government money, and we are one of the highest pollution-emitting countries in the world. We could become a financially stable and environmentally sustainable nation with less than one third of the money we have already spent on the wars in Iraq and Afghanistan, and slightly more than half the money we spent bailing out banks that have no intention of returning the favor. It sounds too good to be true, but it is very possible if we collectively see the big picture and understand that real change is something that has to come from within the government and may take a long time. \$50 billion in stimulus funds is a great baby step in the right direction.

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OBAMA'S SUMMER OF RECOVERY HAS BECOME OUR AUTUMN OF DISCONTENT

By David H. Landon



President Obama decided to seize the economic initiative last week in a Labor Day speech to one of his main constituent groups: labor unions. His solution to get the anemic U.S. economy out of its doldrums was to announce yet another stimulus plan. Like a dog with his Keynesian bone, President Obama won't let go of the notion that we can turn this economic downturn around if we can just spend enough money on the problem. The Community Organizer-turned-Economist in Chief is determined to spend our way out of this recession, even if it takes spending the last dollar that China will loan to us. In the latest version, "Son of Stimulus" proposes spending an initial \$50 billion dollars on ... wait for it ... yes ... "shovel ready" federal projects to rebuild our roads, railways and runways. Although the administration is uncertain of the final cost of

stimulus fund has been disappointing. The city received \$111 million in stimulus under American Recovery and Reinvestment Act (ARRA). In more than a year with those funds the city had created or retained only 55 jobs. And we all remember the embarrassment when the government's Recovery.gov tracking site listed as a stimulus success story 30 jobs saved or created in Arizona's 15th congressional district using only \$761,420 in federal stimulus spending. There's only one problem: in a state with only eight congressional districts, there is no 15th congressional district. This was not an isolated slip-up as the number of jobs claimed created or saved by the Obama administration have proven to be wildly inaccurate.

There is a real mistrust of the claims of jobs created or saved by the various stimulus plans. Whatever the correct number, it doesn't come

close to the 3.5 million it was supposed to create. The greater fallacy ignored by the administration is that these "jobs" will create no revenue stream to support them once the funding from the federal government is exhausted. These jobs require taxpayer funding. When the funding ends;

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these projects, they want us to believe that the initial \$50 billion represents a significant percentage of the final cost.

Where have we seen this before? Oh yes - the iconic cartoonist Charles Schultz's "Peanuts" cartoon. Just picture the U.S. taxpayer as Charlie Brown, President Obama as Lucy Van Pelt and the stimulus plan as the football. No matter how many times Lucy tricks Charlie by pulling away the football just as he tries to kick it and he lands on his back, Charlie wants to believe the next time Lucy won't pull the ball away. President Obama wants us to believe that just another \$50 billion will turn this economy around. Unfortunately, if Congress passes this latest stimulus plan, the taxpayer will still be flat on his back wondering why the stimulus didn't work. President Obama will be shaking his head just like Lucy and saying "I can't believe you trusted me again Charlie Brown, you blockhead!"

You can't really blame the President for trying. At this critical moment he has nothing positive to point to going into the midterm elections that's going to help him with a very irritated electorate. Democrats are facing a very hostile election environment. Unemployment remains at around 10 percent nationally. Foreclosures are forcing record numbers of Americans to lose their homes. Poverty in America is now at its highest level since 1965. The only thing the President has to sell is another stimulus project, and this time he assures us it will really work.

Unfortunately for Obama, the public isn't buying it this time. Recent reports like the one released by the City of Los Angeles show the futility of using government spending to create jobs. The Los Angeles City Controller reported that the city's use of its share of the federal

so do the jobs. Creating an economic model which depends upon government to create temporarily-funded jobs is not a wise economic policy. Americans are becoming increasingly aware that our government spending is out of control and that more spending will not solve our economic problems.

Banks have record amounts of capital for lending but few loans are being made. Corporations have trillions in capital but no business expansion is taking place. Small businesses that survived the turndown are running with fewer workers, working longer hours and show no inclination of hiring to their workforce. Why are these stakeholders staying on the sidelines? They are all concerned that federal spending and the public debt it is creating is unsustainable. They are waiting for some sign from Washington that spending can be brought under control. They want reassurance that government will not continue to grow and bring new regulations down upon them. They are looking for an indication that we are not following the economic plans of Greece and Portugal.

This was supposed to be the "recovery summer." Instead, it has become the "autumn of our discontent." Obama and the Democrats have misread the 2008 election results. They have overreached in their zeal to grow government. Polls would indicate there is going to be a course correction by voters in November.

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