

OPINION

Hard realities of the '09 stimulus

We can now well see how little this federal subsidy did to create the jobs we need

BY JOHN CAMERON

As we all know by now, the passage in 2009 of the American Recovery and Reinvestment Act — or the “stimulus bill” — failed to stimulate the economy.

Unemployment and job creation figures before and after that spending offer confirmation. The “stimulus bill” was actually a “subsidy bill,” with most of the money going to states, counties and school districts to plug holes in their operating budgets for 2009 and 2010. The bill essentially served as two years of budgetary one-shots.

Rather than delaying the inevitable government layoffs, more of the money should have been allocated to infrastructure spending, which has a higher multiplier effect on indirect job creation. Instead, construction projects for roads, bridges, tunnels and the like received only \$48 billion or 6 percent of the approximately \$800 billion spent on the stimulus. Water and wastewater construction projects received about \$20 billion.

It's no wonder that no signifi-

cant increase in jobs resulted from these subsidies. As I stated at Long Island Regional Planning Council meetings in the past few years, short of a major economic turnaround or a real “stimulus” program that infuses hundreds of billions of dollars into public and private capital projects above current spending levels, the bottom would drop out of the economy in 2011, and budget crises would surface on the state and local levels. And that's exactly what we are seeing in Nassau and Suffolk counties, as both struggle to manage skyrocketing health care and pension costs with shrinking revenue.

This past July, I had the opportunity to share my observations with Transportation Secretary Ray LaHood at a White House forum called “First Suburbs — Inclusion, Sustainability, and Economic Growth.” The secretary, while addressing the audience of around 100 national leaders of government and business, challenged those present to support President Barack Obama's proposed \$550-billion transportation bill, saying that, like the previous stimulus bill, it would “create



thousands of construction jobs.”

When the floor was opened for comments, I pointed out to the secretary that while some construction jobs were indeed created, they were a fraction of what was anticipated by the American people, and possibly that was due to the fact that less than 10 percent of the stimulus money actually went for construction-related projects.

The president has since abandoned the massive transportation bill LaHood asked us to rally behind. First Obama morphed transportation spending into the \$447-billion jobs bill — a combination of new spending and tax breaks that was defeated in the

Senate. Now the president is trying to get parts of the jobs bill passed by Congress by splitting it into smaller bites — like the Hire Heroes Act, which provides tax credits for employers who hire veterans, which was passed overwhelmingly by the Senate on Friday, Veterans Day.

Some elements of the bill, like that politically palatable one, will have a greater chance at approval now that they're separate. And Obama likely believes that this way, at least, he'll be able to hold representatives accountable for voting against other potential job-creating bills.

But this approach to the jobs bill just demonstrates the presi-

dent's insistence on spreading the money around to his bases of support, and on initiating short-term fixes or temporary tax breaks, which have continually illustrated their inability to jumpstart the economy.

These new attempts at stimulating the economy and reducing unemployment are no doubt hampered by the failure of the initial stimulus bill and the credibility gap that followed. Passage of any new major spending initiative — even for infrastructure funding, a typical governmental responsibility — will be very difficult without an accompanying reduction in other government spending and a firm agreement to reduce the federal debt burden. For a stimulus to be truly effective, any government stimulus needs to be supplemented by a private-sector stimulus: changes in the tax code, such as accelerated depreciation and capital gains tax rate reductions, to spur capital investment and spending now, when we most need it.



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