

ENDORSEMENT OF “STIMULATE US NOW”

September 9, 2009

I am endorsing the “www.Stimulate-Us-Now.org” (SUN) program as proposed by Dr. Jack Scott for the reasons outlined below.

- O There are problems with the exiting stimulus package passed by our government. It was hastily assembled and contains a lot of political pork, and in fact commits us to more long term spending in the future. As it is large and complicated, it is very slow getting off the ground.
- O Tax cuts would be quicker, but tax cuts tend to be saved rather than spent for current consumption.
- O The “Stimulate Us Now” package could be implemented rapidly and should result in a high rate of consumer spending. In some cases it would create even more spending than the dollar amount of the package itself because the money placed in the hands of consumers could be used as a down payment for a large item, such as a car.
- O The “Stimulate Us Now” money would be spent by the members of our society in a way that directly benefits each individual. As opposed to going for a turtle crossing, a dog park, pig odor research, or other boondoggle spending in the current program. Of course there are some worthy projects in the current program, but they are diluted by less worthy projects and are likely to proceed inefficiently, and many will come on stream too late to provide any stimulus at all.

Many economists believe that we are coming out of the current recession -- and they might be right. But this is a very different recession than most, making it extremely difficult to forecast the path it will take. Celebrating the recovery is premature. We simply don't know what lies ahead.

Depleted bank capital is at the bottom of this recession. As housing prices plummeted, mortgage related assets on bank balance sheets declined in value, reducing ability of banks to extend credit. Without sufficient credit the economy cannot continue to grow, and the economy plummeted in late 2008. Many banks failed, and many more are projected to fail over the coming months.

Although there has been some hint of a housing bottom, we cannot become complacent. There is another wave of mortgage resets coming, which will contribute to more home mortgage foreclosures. But we are also expecting a surge in defaults in student loans, credit card debt, and commercial mortgages. The banking system is still vulnerable to shocks yet to come and bankers are cautious in their lending. Small businesses especially find it difficult to obtain credit and small businesses are the engine of job creation in our economy.

So we continue to need an effective stimulus package to guarantee that we do not experience a “double dip” recession or a jobless recovery that feels like no recovery at all.

We would be way ahead if we were to cancel the existing, largely ineffective, wasteful, and slow package with the “Stimulate Us Now” program proposed by Jack Scott. I find it fascinating that a concerned individual citizen can come up with a far superior program to that cobbled together by all the king's horses and all the king's men in Washington. But that is the American way.

James P. Wright, retired

Former head Economist for Allied-Signal, responsible for macro economic forecasting and interpreting the impact of government economic policy. Allied-Signal was a component of the Dow 30 Industrials and a predecessor company to Honeywell International.