



## ***Free Congress Foundation Commentary***

### ***Convert Stimulus to Tax Cut***

***By E. Ralph Hostetter***

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Last February 17, 2009, the United States enacted a stimulus package under the title of The American Recovery and Reinvestment Act (ARRA) of 2009. President Barack Obama promised transparency in his administration and established a Recovery Accountability and Transparency Board for the stimulus funds, according to its government Web site [www.Recovery.gov](http://www.Recovery.gov).

The stimulus program has been funded with some \$787 billion. It follows that whenever that amount of money is appropriated and lies available without very close supervision fraud can occur. The avenue for such fraud was provided at the outset when it was established that the recipients themselves were responsible for policing their own acts and if "errors" were made, there were no provisions to assess penalties or seek restitution of purloined funds; all this according to Edward Pound, communications director for the Recovery Accountability and Transparency Board.

Amanda Carpenter reported in *THE WASHINGTON TIMES* on Nov. 17, 2009 that researchers at the Franklin Center for Government and Public Interest discovered 440 "phantom districts" listed on Recovery.gov, consuming \$64 billion, claiming to create 30,000 jobs. Note that is \$2.13 million per job.

Recovery.gov also showed:

- 12 districts in Washington, D.C. consuming more than \$2.7 billion, when the city has only one congressional district (THE

District of Columbia, singular);

- \$194,537,372 was said to have created some 2,893 jobs in New Hampshire's 00 congressional district; however, there is no 00 district in New Hampshire;
- \$1,471,518 going to New Hampshire's 6th congressional district, \$1,033,809 to the 4th congressional district and \$124,774 to the 27th congressional district — in spite of the fact that New Hampshire has only two congressional districts.

Just where does the money actually go for these phony congressional districts? Some individual must be accepting it. All monies being delivered to such representatives of these non-existent congressional districts should be accompanied by a set of handcuffs.

It is estimated that at least 10 percent of any fund of this magnitude will be lost to fraud. In this case, that amounts to 78.7 billion dollars (\$78,700,000,000)—a possible loss of such magnitude that whatever good the stimulus package at one time represented may have already been lost. To date, some 253 billion dollars has been paid out, according to Recovery.gov.

Perhaps the balance of the stimulus fund that has not been expended to date should be frozen and held until some sanity can be brought to the problems that presently exist.

A plan that would benefit all taxpayers, those who have provided the money, would be a tax cut. A tax cut of some \$500 billion over a period of five years would benefit and rightfully return the money to those who deserve it the most, the taxpayers.

Tax cuts have always been stimulating to the economy, provided they actually put money directly into the pockets of the taxpayer. President John F. Kennedy appealed to Congress to enact a large federal tax cut on April 20, 1961. News clips of his December 1962 speech to the Economic Club of New York were titled "Income Tax Cut: Kennedy Hopes to Spur Economy." When enacted in 1964, the Kennedy-Johnson tax cut was larger than any previous tax cut in

American history, according to Herbert Stein in *PRESIDENTIAL ECONOMICS*.

At the present time, the U.S. Treasury collects 1.21 trillion dollars in individual income taxes and 339 billion dollars in corporate income taxes. A cut of 10 percent in income taxes, across the board, would put approximately 150 billion more spending dollars into the economy.

Much of the collected individual income tax would be coming through payrolls on a weekly or biweekly basis for the most part; therefore tax cuts would be immediately available in smaller increments, thus more likely to be spent. This money would go directly to the gross national product and would create more jobs for the nation.

President Obama predicted that 3.5 million new or saved jobs would result over the next two years with the implementing of the 2009 stimulus package. As of Oct. 30, 2009, only 640,329 jobs had been created or saved.

Meanwhile, unemployment has risen from 6.6% in October 2008 to 10.2% in October 2009 and hundreds of thousands of people are still losing jobs.

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