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Groundhog Day, 2010

In 1993, Bill Murray established the phrase "Groundhog Day" as the designation for the pop-Buddhist concept that the actor is doomed to repeat the same day over and over again until he achieves moral correctness, at which time the actor is then permitted to find contentment.

With that excuse, this column will comment on the 2010 State of the Union address with repeats of discussions of policies that were offered in connection with earlier State of the Union addresses.

In 2010, President Obama declared that "we will have a climate and energy bill". In the 2007 State of the Union Address, President Bush had announced a goal of "reducing gasoline usage by twenty percent". The prior year, in 2006, 137,988,551,400 gallons of gasoline were delivered, according to the United States Department of Energy record of gasoline deliveries, published at <http://tonto.eia.doe.gov/dnav/pet/hist/c10000001m.htm>. Gasoline deliveries actually did go down, about four percent, from 2006 to 2009. If fifteen percent of the gasoline delivered was for exempt government use, for police cars, school buses, and snowplows, that left 115 billion gallons of gasoline purchased by consumers in 2009.

A quick and easy revenue enhancement that would take out a tenth of the anticipated federal deficit for the coming fiscal year 2011, is the buck-a-gallon excise tax on gasoline similar to the suggestion in this column in July, 2007. This is not an increase in the "gasoline tax", which has hugely intricate legal restrictions on using the proceeds for anything other than building roads. This is a general revenue fund, deficit-reduction excise tax. Congress might even dedicate the proceeds of this tax to deficit reduction (for public-relations purposes - as an actual "dedication" of the proceeds, it would likely be as effective as Ohio "dedicating" state lottery proceeds to "education" in 1974), and write a "sunset" provision into the excise tax - the tax comes off at the end of the second year of any two years in a row that the federal budget again runs a surplus as it did during the Clinton Administration.

In 2010, President Obama announced that thirty billion dollars that his administration has recovered from the seven hundred billion dollars authorized by Congress in 2008 for the Bush Administration to hand out as a parting gift to large financial institutions, would be re-handed out to "community banks". This is on the suggested theory that, since the big banks that got the money from the previous administration in 2008 did not lend to small businesses so as to allow those small businesses to survive and employ Americans, perhaps the "community banks" in 2010 will lend to those same small businesses that the big banks did not think it would be sufficiently profitable to finance.

The President and Congress must realize that they are simultaneously imposing conflicting requirements on the financial system. The primary economic goal is to increase lending to small business to increase employment within the United States, so that eventually more folks are employed and paying taxes to support the government programs that are intended to keep them alive during times when they are not employed. The conflicting goal, announced for public relations purposes, is to discourage "irresponsible" lending, probably meaning lending to borrowers where there is doubt that the loans will be paid back. Clearly this is self-fulfilling doom - if the financial institution will not lend to the small business because there is a likelihood that the small business will fail, the likelihood that the small business will fail for lack of financing approaches certainty.

In the 2009 Special Valentine's Day issue, this column discussed H. R. 1, President Obama's American Recovery and Reinvestment Act of 2009, which handed out additional billions of dollars with the intent of stimulating the United States economy. This column noted that the critical event in the lending cycle is demonstrating creditworthiness of the borrower, so the financial institution can justify the loan. Over a half century ago, the Small Business Administration was created to do exactly this. The thirty billion dollars that the United States has recovered should be directed to expand SBA's review capacity and fund SBA's loan guarantee authority. If SBA capacity is expanded so that it can review the volume of small business credit applications that are currently not being approved by the nominally "private" financial sector, and if SBA's loan guarantee authority is funded so that SBA can guarantee the extension of credit in such instances as are determined to be economically or socially or politically necessary to facilitate economic stabilization, the nominally "private" financial institutions will have no excuse to not make the credit available.

Finally, in 2010, President Obama proposed an increase in Pell grants. This column's 2009 regular February issue noted that educational services and medical services are the only two areas likely to be amenable to

creation of jobs with meaningful incomes, that must employ within the United States and cannot be exported, and that Pell grants are particularly well-designed to increase demand for educational service jobs in the United States.

Happy Groundhog Day. I earnestly hope this column can present all new material for Groundhog Day 2011.

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