

Old Country Lawyer, February 22, 2009
Special Washington's Birthday Issue: Managed Demand Specifics

To observe our first President's birthday, this issue will not tell a lie, or even make a joke. This once, it is serious. It is "Write Your Congressman" serious.

Lots of taxpayer money has been appropriated and some not yet spent. Three of the spending mechanisms discussed in earlier columns should be used for some of that spending. Congress has got to Manage the Demand because nobody else has.

(1) Whatever is left of the TARP, hopefully \$300 billion, should go to expand Small Business Administration client-evaluation capacity and loan guarantee authority. The earlier distributions of TARP money went to financial institutions and were used to make those financial institutions more "efficient", meaning "less unprofitable", by consolidating or acquiring other financial institutions and firing employees. There has been no new lending because borrowers can't show an ability to pay back. The rest of the TARP money should go to guarantee loans to small businesses, so the financial institutions can make the loans knowing that the loans will be paid, either by the borrowers or by the guarantee. The Small Business Administration has been doing this for half a century. The SBA knows how to get credit moving, whether or not the Department of Treasury does. No more direct funding for banks. Guarantee the small business loans so small business can make payroll.

(2) However much new money GM and Chrysler get from Congress, under threat of "two million more jobs are lost if we file bankruptcy", should not be in the form of "loans" to, or equity purchased from, the employers. It should be PRODUCT purchased, in advance, from the producers. For every billion dollars more the taxpayers transfer to an auto maker, that auto maker must issue to the taxpayers a hundred thousand COUPONS of twelve thousand dollars each, redeemable toward the purchase of a new vehicle manufactured by that auto maker. This incorporates the twenty percent premium the taxpayers get paid for providing money to a business that no private financial institution would touch, just like Payday Loans. The earlier "loans" to GM and Chrysler were made on the incredible condition that GM and Chrysler make themselves "viable", meaning reduce the number of employees and reduce the payments they had earlier contracted to pay to retirees. For any more taxpayer money, the taxpayers should get Product, so GM and Chrysler have to keep employees working and keep suppliers paid. Who gets the coupons? (a) every National Guard member who was called to active duty, or surviving family; (b) every regular armed forces member not dishonorably discharged, or surviving family; (c) every schoolteacher who qualifies for college loan forgiveness by reason of working at a "troubled" school. The consumer is encouraged to buy a new vehicle, not perfect but good enough if half the purchase price is prepaid by the taxpayers. This is a workable public-private partnership, applying a "multiplier effect" on the demand side, causing a twenty-five or thirty thousand dollar purchase with an expenditure of ten thousand taxpayer dollars. Auto Bailout Coupons - easy as ABC.

(3) The American Recovery and Reinvestment Act of 2009, apparently has a \$400.00 per individual taxpayer distribution, apparently proposed to be distributed at eight dollars per

week as a rebate of employee Social Security withholding. This should instead be distributed in a single \$400.00 payment in the form of a capped, refillable debit card, exactly like the "food stamp" cards distributed to qualified economically-disadvantaged families, except not restricted to food purchases. The distribution should be in a single payment, so the spending of it might become noticeable economic activity and be immediate. The distribution should be in a debit card, so it has to be spent on legitimate, sales-taxed purchases and not on black-market purchases. The debit card should be "refillable" so the card itself is not traded away as currency like fixed-amount gift cards are, in the anticipation that Congress will want to give away money again in the future by refilling that same card. The debit card should be "capped" so it will only hold a stated maximum value, for a "use it or lose it" effect, to ensure that the amount is spent before Congress decides to refill the card in the future. Finally, the distribution should be in a debit card so it can NOT be used to pay down other credit-card debt or deposited to a savings account as a prudent person might have done with the 2008 "stimulus" checks.

Much as it hurt to use the phrase, "For every billion dollars more the taxpayers transfer to an auto maker," this column has maintained dead seriousness throughout, regardless of how surreal all of this might have seemed six months ago. Write your Congressmembers.

- Christopher J. Mallin, Old Country Lawyer