

# IOWA TRANSPARENCY NEWSLETTER



## Recovery.gov - I certainly hope so

by Doug Stout

In the area of transparency in government spending, I have to say that the Obama Administration has done a great job up to this point. It you haven't taken a look at it yet, you should go to the federal government website tracking the money from the federal stimulus package. As Vice-President Biden has said on more than one occasion, the web site's "number" is "Recovery.gov."<sup>1</sup> The web site is designed to be user friendly and to allow individuals to see where the stimulus package money is being spent and to some extent at least, to show just how the money is being spent.

On the front page of the web site you will find a heading entitled: "Accountability and Transparency"

"This is your money. You have a right to know where it's going and how it is being spent. Learn what steps we're taking to ensure you can track our progress every step of the way."<sup>2</sup>

Absolutely, I could not have said it better myself...well actually I would make one change. In order to be more accurate, since we

have long since passed the "break even point" in the budget arena...the money he refers to is not actually your tax money. Your tax money is already spent...this is probably your granddaughter's tax money, but since she may be only 3 years old...or maybe not yet even a twinkle in her future father's eye at the moment...it is probably your responsibility to take some interest in where her money is being spent. Because someday, she is probably going to care where it went, and you will be the only one around left for her to ask how you spent it.

This is an area where the President has always taken the initiative. (I mean as to government transparency, not as to spending our grandchildren's taxes, although he is off to a fast start in both endeavors.) As we have commended him on before, while a United States Senator he was instrumental in the passage of legislation to create the government site, [www.USAspending.gov](http://www.USAspending.gov), which is also a useful tool for keeping track of your federal government's expenditures. Governor Culver and the Legislative leadership in the Iowa Legislature

should be asking themselves why, if in the time of economic crisis, President Obama feels that the time and funds required to put up a national website from scratch to keep people informed of government expenditures is well worth it... they have taken no action at the state level to put up a similar site for state government?

Actually, why don't you ask them? For less than half the price of the \$19,000 in new carpeting expense for the Rebuild Iowa offices, they could have a website up and running that would allow you to see where the state is spending its money. (The state of Oklahoma only spent \$8,000 on the software needed and rededicated state employees to the task.)<sup>3</sup> The Governor even indicated his intention of moving forward in this area with the creation of the "OpenUp.Iowa.Gov" state web site over two years ago. However, it is about time for some action on his part.

If the state of Iowa can afford to keep the Capitol open for an entire weekend, just to satisfy the temper of the Speaker of the House, who kept the vote on the prevailing wage bill facing the House on Feb

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Dr. Don Racheter,  
President

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21 open all weekend because he was "put out" that he did not get the 51 votes needed to pass the legislation relating to the misguided efforts to impose additional prevailing wage obligations on the Iowa taxpayer, it ought to be able to put up a web site to show just how much his fit of temper cost the state budget. Not to mention the fact, the term "sore loser" comes to mind, or "I am going to do it, just because I can do it"...or any of many other descriptions for what is either juvenile behavior...or an attempt to twist arms in Chicago-style political fashion, which is best left on their side of the Mississippi River.

You have all heard about the impeachment of Illinois Governor Blagojevich by his own Legislature and about his removal from office. As I write this, the new Senator from Illinois appointed by Governor Blagojevich is in serious jeopardy of not serving much of his term in Washington, as calls multiply for Senator Burris to resign from office. What you may not be as aware of is the Illinois track record recently: "Since 1970, according to a University of Illinois at Chicago report, 1,000 people have been convicted of public corruption, including three governors, 19 Cook County judges and 30 Members of the Chicago City Council."<sup>4</sup> So we should stick with our good old Iowa traditions and not try Illinois approaches.

Holding open votes for really ridiculous lengths of time in order to coerce changes in the vote tally of duly elected representatives of the people...is a game best left to the cynical politicians of both

parties in our nation's capital, or to political machines in places like Venezuela or Chicago. In Iowa, when you lose a vote...you lose a vote. There are legitimate legislative procedures that will let you tweak the legislation and try again at a later point, but throwing a temper tantrum is just so "not Iowan." Move on and act like adults on the issue.

It is a "not so subtle" reminder that this is not what the Founders intended...and by Founders I think you only have to go back as far as Governors Harold Hughes (D) and Bob Ray (R) in Iowa... only a few decades ago, but to an earlier time of more civil politics. When the voting machine shuts itself off, not once but twice over the weekend, because no one envisioned a single vote would last for more than a day, you should seriously question your actions as Speaker of the House. And if the Speaker doesn't question his actions, then his fellow Legislators, even in his own caucus, ought to be doing so. It is sad that no one in the general public may actually see their elected officials as role models anymore, but shouldn't they at least pretend that some young adult out there is watching them to see what behavior is appropriate when you "lose?" Shake their hand...say "good game" and figure out how to win the next time. Politics is not that complicated and "sore losers" in any field seldom do themselves any good.

So while I am more than ready to give the Obama Administration due credit on "style points," I am scared to death about the policy they have chosen to undertake. It

is unfortunately a very true axiom of politics...“Don’t just stand there...do something.” So President Obama is “doing something,” and I can’t really say that I blame him. When you have the whole country, and to some extent the whole world watching...and the economy is headed “south,” action - any kind of action - is a tempting thing to do. I sincerely hope this course of action works, but I am skeptical that it will do much in the long term.

We got into this mess because bad monetary policy and misguided incentives were pushing too much money into the wrong sectors of the economy. Home loans which should never have been made... were made to everyone’s eventual detriment. There are many other reasons and plenty of blame to go around, but it was not a failure of capitalism, but a failure of those who tried to “manage the economy.” Now the prescribed solution is to manage it much, much more than it has been managed in more than 60 years.

The United States is trying to “manage” an economy that is now intertwined with the economies of the entire world. Does spending a trillion dollars on short term stimulus projects, some of which are highly skeptical from an “economy stimulating” perspective serve to do much in the long run except to bury us in our own debt? We are borrowing money from the private sector of the economy, where it would be invested in whatever people believed would be a long-term economic success to give them a return on their money. We are spending it on the government

side of the coin, where it goes to short-term projects, which by their very nature...come to an end.

What happens when the bridge is built and the road is finished? No long-term jobs are actually going to be created by this package. So the hope is that the economic package “jump starts” the rest of the economy. I don’t think there is much historical evidence to suggest that is what is going to happen, but I really hope they are right. If the world economy turns around, I don’t care who gets the credit. However, I think it is likely to be in spite of the stimulus package as it is “because of it.”

For the answer to what happens once the bridges are built, you can ask the Japanese. When they went into a deep economic recession two decades ago, they tried to spend their way out of it, just like we are now attempting. What happened when the bridges were built and the roads were finished? They just kept on building them. They now call that time period the “Lost Decade” in Japan and have the highest debt per capita of any country in the world. The general feeling among most Japanese is that their stimulus packages were a huge waste of money, and that they have now created a debt they will always carry with them.

There is a fascinating and sobering article in the February 6, 2009, *New York Times* entitled: “Japan’s Big Works Stimulus is Lesson.” “In total, Japan spent \$6.3 trillion on construction-related public investment between 1991 and September of last year, according to the Cabinet Office. The spending peaked in 1995 and remained high until the early 2000’s when it was

cut amid growing concerns about the growing budget deficits.”<sup>5</sup>

“In the end, say economists, it was not public works but an expensive cleanup of the debt-ridden banking system, combined with growing exports to China and the United States, that brought a close to Japan’s Lost Decade. This has led many to conclude that spending did little more than sink Japan deeply into debt, leaving an enormous tax burden for future generations.”<sup>6</sup>

The article is not conclusive, it includes perspectives that the money was spent on the wrong things, or that not enough money was spent, in addition to the view that the stimulus was counterproductive. What is clear is that we are taking a huge risk with your granddaughter’s future, and one that has been undertaken without a clear understanding of the chances of success. Whether because of - or in spite of - the stimulus package, we can only work and hope that the world economy recovers its forward momentum. If it does not, we have added amounts to the national debt that are almost unfathomable for the average person to comprehend. We may have been flooring the gas pedal of the car - with the transmission firmly locked in “neutral” - and expending energy we will badly need in the future to remain a prosperous nation.

It is justifiable to be furious at irresponsible corporate leaders who accept government money to stabilize the economic infrastructure and then spend the money on self-indulgent items. Also, there is certainly truth to many tales of

**Public Interest Institute  
at Iowa Wesleyan College  
600 North Jackson Street  
Mt. Pleasant, IA 52641**

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greedy and irresponsible figures on Wall Street and of corporate irresponsibility. However, we all know that in the long term it is only private enterprise that creates wealth. Government has never created wealth; it only redistributes it. Does it make good sense in a time when the world needs to reverse the current slide and start creating jobs and rebuilding our nation's wealth to turn to the government as the primary source to do so, by taking money away from the private sector for public works projects? We need to reinvigorate the private sector, the small businesses that have been the engines of job creation in this country for decades. I am worried that the Obama plan does not do that and I am concerned about where his approach will leave us...when the bridges have all been built.

Our nation has chosen its current path as a result of the November elections. Elections have consequences, and they are almost always mixed in their results. I commend the Obama Administration on making transparency a priority, and I hope that their administration carries forward this concept to all actions of the government. I hope that the Iowa Governor and Legislative leaders are as forthcoming in developing an approach to let Iowans see how their tax dollars are being spent. Although the Legislature has spent outrageously over the last two years, we can be thankful that they have not yet managed to "game the system" to the extent that our children's children will be paying back an Iowa state debt as well...for that you would have to move to California, but that is a story for another day. (Although,

the Iowa Legislative session is not over yet...and there is the Governor's proposal to charge \$700 million in credit against our good bond rating...so they may step further down that road yet this year if you don't keep an eye on them.)

(Endnotes)

1 "Recovery.gov," Office of the President of the United States, <http://www.recovery.gov/> (February 25, 2009).

2 Ibid.

3 Katie Koberg, "Iowans for Tax Relief Stands with Legislators to Provide Government Transparency," *The Watchdog*, Iowans for Tax Relief, January, 23, 2009.

4 Steve Chapman, "A cornfed remedy for Illinois graft," *chicagotribune.com*, February 19, 2009, <http://www.chicagotribune.com/news/columnists/chi-oped0219chapmanfeb19.0.1120240.print.column> (February 25, 2009).

5 Martin Fackler, "Japan's Big-Works Stimulus is Lesson," *The New York Times*, February 6, 2009, [http://www.nytimes.com/2009/02/06/world/asia/06japan.html?\\_r=2](http://www.nytimes.com/2009/02/06/world/asia/06japan.html?_r=2) (February 25, 2009).

6 Ibid.

*Doug Stout is a Research Analyst with Public Interest Institute.*