



## The Fleecing of the American Taxpayers PART II

The continuing decline in economic activity has prompted more panic amongst lawmakers in Washington, D.C. and has given the Obama Administration an apparent mandate to fleece the American taxpayers to the tune of another \$825 billion (with interest about \$1.2 trillion). This massive spending programme comes guised as an economic stimulus plan that will save our economy from catastrophe. To be sure, this plan does nothing more than indebt taxpayers further, burdening future generations with unpaid bills that will do little to stimulate the economy or stave off the recession currently underway.

The situation facing the people of America is quite grave. The problem is quite simple. Workers are losing their jobs. More and more redundancies are announced everyday. Many are fearful that they too will lose their jobs. Consumers are out of credit. Many have maxed out their credit cards making purchases of food, clothing, and gasoline. Homeowners are facing foreclosures. This is a particularly troubling trend for those who have lost their jobs. There are few jobs being created. Very simply put, people are out of money--they're flat broke.

Unfortunately, the stimulus package being proposed does very little to address this core issue. The funds being doled out by the proposed stimulus package, just like the last stimulus package, are not helping the American on the street who cannot pay the mortgage or make the car payment or put food on the table. Despite the good intentions of the last stimulus package, the consumer still cannot find credit--individuals are not being financed for homeloans/refinancings, automobile loans, etc. and businesses find that the credit needed to expand or create jobs or just stay afloat is nearly nonexistent. Banks are still living the high life whilst the 'man in the arena' is still fighting for survival. Nothing in this stimulus package that is going to be forced upon the taxpayers does anything to address these matters.

Instead, the proposed stimulus package is nothing more than a massive, pork-filled spending bill that increases the size of

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the federal government. The bigger the spending gets, the bigger the government gets. What is more, the bill is a massive stealth tax increase on the American taxpayers. It may not happen right away, but it will inevitably come. The taxpayers will have to pay the piper for this spending in the future. But for now, the roughly \$10,500 per taxpayer that is being spent will get the taxpayers nearly \$1 billion in funding for Amtrak, \$150 million for the Smithsonian Institute, over \$6 billion for home weatherization, \$50 million in infrastructure in Guam, \$600 million for hybrid vehicles for federal employees, over \$330 million for HIV/STD screening, and more...Pork---it's what's for the American taxpayer.

The reality is that nothing that has been proposed by the current administration or the Congress will provide jobs growth or creation or help the American taxpayer pay the bills. The proposed stimulus will not replace the hundreds of thousands of jobs that have been lost. Big companies like IBM, Citigroup, etc. that have laid off thousands are not going to rehire those people any time soon. Consumers cannot spend money that they do not have. Small businesses are not going to create jobs or expand if there is no demand for their goods and services and if they cannot find credit. The much touted infrastructure projects are not shovel ready. There is a lengthy procurement process that the federal and state governments go through to award contracts for projects. This does not happen overnight. It may be years before many of the infrastructure spending projects actually turn dirt. The proposed stimulus is not going to revive the real estate markets or stop foreclosures. The belief that the economy will turn around once the real estate markets have stabilized is misguided. Even if prices stop falling and foreclosures stop, consumers cannot afford to make purchases of real estate right now or for the foreseeable future.

There is no easy solution to this problem. President Obama cannot talk us out of this situation. Continuing to blame former President Bush for the current situation or the failure of the previous economic stimulus that was passed by the Democrat-controlled Congress is not a productive measure. An effective stimulus package, if there must be one now, must offer a few key elements:

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- Tax cuts that help small businesses and the worker such as a temporary suspension of payroll taxes.
- Tax credits and financial assistance to those small businesses that hire workers.
- Concerted efforts to work with homeowners who cannot afford their mortgages to refinance those mortgages. This may involve a moratorium on foreclosures or a temporary suspension of mortgage payments for those who are unemployed. In addition, the government must help banks refinance mortgages that are non-performing. For example, suppose a homeowner has a mortgage for \$1 million on a home that is currently only worth \$500,000. The bank should write off \$500,000 as part of the bank bailout previously provided. Then, the bank should work with the homeowner to restructure the outstanding \$500,000 balance. This may require amortizing the note over fifty years at a 1% interest rate (for example) so that the homeowner can afford the payments again and the loan is once again performing.
- Cuts in government spending. The American taxpayer is learning a painful lesson in living within one's means. The federal government should be forced to live within its own means. If the average person is tightening the belt, why is the federal government spending more money?
- Rebate cheques for those taxpayers who paid taxes last year. Individuals who did not work or pay taxes would not be eligible for the stimulus cheques.

In the end, there is no one solution to solve the problem. We find ourselves in a situation that must ultimately play itself out. The stimulus will not magically end the recession that we are in nor will it create jobs to replace those that have been lost. It is a painful process of adjustment for Americans but it is one that is both necessary and will enable us to come back stronger and more prosperous once we have been successful in making those necessary adjustments. But to be sure, uncontrolled pork-laden spending is not the way to go. Now is the time for real leadership not playing the blame game

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or passing the buck. It is time to fulfill campaign promises on bipartisanship and cooperation not push social spending programmes down the throats of those in opposition. Talking is not the solution---spending restraint, government cuts, and tax relief are the only solution.