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How to Make Sure the Stimulus Works

We should invest in projects that make us more productive.

By **JUDD GREGG**

It's true: Republicans lost the election, we lost the Congress, and we lost the presidency. Does anyone still care what we think?

Although I hold out little hope that my Democratic colleagues in the House will take heed of my thoughts, I am hopeful that there are a few folks about to embark on the leadership of our country who are eager to learn from our mistakes. If President-elect Barack Obama and the Democratic Congress want to implement a stimulus package that could reach nearly \$1 trillion, they should consider a few rules that would ensure such a grand effort will actually help the country get back on its economic feet rather than create more problems.

First, do not build up the long-term debt unnecessarily. This is a concept that totally seemed to escape Republicans when we were at the helm. This failure should not be compounded. Out of Mr. Obama's control is the massive debt issue heading his way as a large number of the baby boom generation reaches retirement during his term in office. But trying to dig out of this recession by adding a lot of new permanent programs, or by expanding existing programs, will only accelerate this fiscal tsunami.

This does not mean the government cannot spend -- it is fairly obvious that serious deficit spending is needed immediately. However, it does mean that when compiling the initiatives that drive this stimulus package, the priority should be on one-time items that do not create recurring out-year costs such as expanding social welfare programs.

Second, government should choose investment with these tax dollars. The TARP, for all its warts, has involved using tax dollars to invest in assets that will have a return to the taxpayer. In fact, the estimate to-date is that the TARP has actually had a gain of about \$8 billion, while recapitalizing the financial system. With this type of stimulus, there will be little, if any, long-term increase in the debt.

Of course, if you follow the path set forth by our Republican administration and pick industry winners like the Big Three auto makers, and simply send them cash, then you may end up with taxpayers simply paying twice or three times for every car they buy -- assuming they buy a Ford or a GM or a Chrysler. They will

pay for the car once at the showroom, a few times more on April 15, and then again when their kids pay for the cars down the road, since the funds spent today add to the long-term debt.

So chose carefully how you inject the tax dollars into the marketplace. Limit yourself in trying to assist industries which, if they fail, would actually lead to a systemic breakdown of the economy. If you do assist these industries, do it in a manner that has some chance of making a few bucks for the taxpayer.

Third, if we're going to have an infrastructure feeding frenzy, make sure government builds public works that will make us more productive as a nation. We all love swing sets and water parks, but recovery is not about soccer games or Main Street beautification. This is about bringing the nation out of this recession in a manner that makes us more competitive in the international market. We need things like roads, bridges, mass transit capital expansion, integrated IT in public industries like health care, and military recapitalization. The test should be simple: Is it necessary and will it make us more competitive as a nation?

Fourth, we must cut taxes for job creators. This is one thing Republicans did when we had the magic wand, and it worked. The growth in tax revenues from 2002 through 2007 were some of the largest in history. The tax system became much more progressive, with the top 20% of income earners paying 85% of the taxes -- a rate much higher than during the Clinton years -- all while keeping capital-gains rates low.

Most jobs are not created by big business or by the government (although the government has certainly added a lot of people in the last eight years). Most jobs in America are created by entrepreneurs who start or expand small businesses. So cut their taxes first, and then throw in a tax cut for working Americans so they can weather this storm a little better. This is a Republican idea that was actually proven to work, so we give it to President Obama and his team and say gracefully, "Here, take it. Call it your own. We will not argue. Just do it so we can get this country going again."

Mr. Gregg is a Republican senator from New Hampshire.

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