

# Background

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## Will Lobbyists Turn the Stimulus Package Into a Festival of Fiscal Greed?

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As Congress and President Barack Obama move closer to devising a federal fiscal stimulus package, Washington's lobbyists and many of their benefactors in Congress have ramped up efforts to make sure that their clients and preferred constituents get a piece of the action. As the proposed volume of spending on that package has risen from the earlier \$300 billion to \$825 billion, these efforts have intensified, and more have joined in the money scramble.

Indeed, not since late 2001, after the September 11, 2001, terrorist attack on the Twin Towers and the Pentagon unleashed an unprecedented business, local government, and lobbyist assault on the federal budget, has there been such a fiscal feeding frenzy chomping its way through the halls of Congress—and through the pockets of America's beleaguered taxpayers. Members of Congress and the President should do whatever they can to make sure that the players in this revival of the *Beggar's Opera* are not rewarded.

Perhaps typical of the frenzy underway after 9/11 was the approach taken by Representative Jim Moran (D-VA), who exclaimed in the aftermath of the terrorist attack, "It's an open grab bag, so let's grab." Moran was not alone in welcoming a greedy grab for whatever tax dollars he could get: In the days after the attack, Washington, D.C., witnessed a parade of petitioners marching through town as a *Who's Who* of the American business community, trade associations, and state governments came together in an uncommon spirit of sacrifice: offering to sacrifice the hard-earned income of the taxpayers for the benefit of their own industries or states.<sup>1</sup>

### Talking Points

- Washington's lobbyists have ramped up their efforts to make sure that their clients and preferred constituents get a piece of the massive stimulus bill. Many representatives of American business, trade associations, and state governments have come together in an effort to use the hard-earned income of the taxpayers for the benefit of their industries or states.
- The Association of Zoos and Aquariums has called for shovel-ready zoo and aquarium infrastructure projects to be eligible for federal stimulus funding.
- In seeking their share of the pie, leaders of America's musicians and artists contend that "[w]e are losing the entertainment and inspiration we need more than ever during this terrible scary time."
- Not every leading institution or organization is seeking a handout, but the behavior of many petitioners suggests that unsustainable greed is alive and well—at least in Washington, D.C.

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With the country confronting the prospect of one of the worst recessions since the Great Depression of the 1930s, the taxpayers who fund the federal government's operation are again under assault by the same crowd of wealthy, influential constituents seeking a piece of what many expect will be massive volumes of new federal spending.

### My Way with the Highways

Typical of the escalating demands is that of the American Association of State Highway and Transportation Officials (AASHTO), the trade association for state departments of transportation. One of the first organizations to sense the opportunity for more federal money from a stimulus package, AASHTO claimed in January 2008 that its members had identified about 3,000 "ready-to-go" transportation projects costing \$18 billion. But as the dollar magnitude of the proposed stimulus package doubled over the year and approached \$1 trillion, AASHTO stepped up with its plate and raised its request to 5,280 projects costing \$65.9 billion—more than triple its year-ago wish list.<sup>2</sup>

In that same ready-to-go spirit, the Association of Zoos and Aquariums "called for shovel-ready zoo and aquarium infrastructure projects to be eligible for federal stimulus funding" and noted that 79 percent of Americans believe that zoos and aquariums are good for their local economies.<sup>3</sup>

Not to be outdone by fish and mammals, America's artists have also stepped forward to assist their countrymen in their time of need, albeit for compensation. Michael Kaiser, president of the John F.

Kennedy Center for the Performing Arts, argues for emergency grants for arts organizations and legislation that "allows for unusual access to endowments." He contends that the arts community is "quietly falling apart" and that "this perfect storm has already weakened the fabric of our nation's arts ecology." Kaiser emphasizes that "[w]e are losing the entertainment and inspiration we need more than ever during this terrible scary time."<sup>4</sup>

### Stimulating Vacations

Artists and animals were not the only segment of the nation's entertainment market in search of taxpayer largesse to weather the storm. The American Society of Travel Agents wants the Small Business Administration to establish a direct federal loan program that travel agents can use to build their businesses,<sup>5</sup> while the U.S. Travel Association—representing hotels, resorts, and theme parks—and the American Hotel and Lodging Association want to create a federally funded office to promote U.S. tourism to foreigners.<sup>6</sup>

The Association of Community Organizations for Reform Now (ACORN) has its own four-point plan for economic recovery, arguing for extended unemployment insurance, more food stamps, \$7 billion to \$10 billion in school-building repairs in poor neighborhoods, and \$3.6 billion in additional U.S. Department of Housing and Urban Development housing vouchers.

Joining the fray on behalf of public education, many of the nation's presidents of public (i.e., taxpayer-supported) universities are seeking their fair

1. For details on the lobbyists' frenzy to profit from the tragedy, see Ronald D. Utt, "Lobbyists Use Tragedy to Raid American Taxpayers," Heritage Foundation *Executive Memorandum* No. 781, October 2, 2001, at <http://www.heritage.org/Research/Taxes/EM781.cfm>, and Ronald D. Utt, "Lobbyists Continue to Use Tragedy to Raid American Taxpayers: An Update," Heritage Foundation *Backgrounder* No. 1502, November 13, 2001, at <http://www.heritage.org/Research/Budget/BG1502.cfm>.
2. "5,000 'Ready-to-Go' Transportation Projects Could Put Millions to Work," *AASHTO News*, December 5, 2008, at [http://news.transportation.org/press\\_release.aspx?Action=ViewNews&NewsID=202](http://news.transportation.org/press_release.aspx?Action=ViewNews&NewsID=202) (January 16, 2009).
3. Association of Zoos and Aquariums, "Zoo and Aquarium Infrastructure Projects Important to Communities," press release, December 19, 2008, at <http://www.aza.org/newsroom/InfrastructureImportant/> (January 16, 2009).
4. Michael Kaiser, "No Bailout for the Arts?" *The Washington Post*, December 29, 2008, p. A15.
5. American Society of Travel Agents, "ASTA Congratulates Karen Gordon Mills on Nomination as SBA Administrator: Will Continue to Press for Creation of Direct Loan Program for Small Business," press release, December 23, 2008, at <http://www.asta.org/News/PRdetail.cfm?ItemNumber=4810&navItemNumber=491> (January 16, 2008).
6. Elizabeth Williamson and Brody Mullins, "Lobbyists Flock as Businesses Seek Share of the Stimulus Pie," *The Wall Street Journal*, January 6, 2009, p. A4.

share of the stimulus pie, although their demands vastly exceed those of ACORN. According to *The Wall Street Journal*, “The university chiefs seek an additional ‘federal infusion of capital’—as much as \$45 billion—to build new facilities, especially ‘green’ ones. ‘To ensure a rapid response, only projects that are shovel-ready or in which construction can begin within 120–180 days should be funded.’”<sup>7</sup> Among the signatories to the desperate plea for federal funds was the president of the University of Virginia, whose \$4 billion endowment helps support his \$797,048 annual salary.<sup>8</sup>

The university presidents’ green theme was echoed by a coalition formed by the Service Employees International Union, the Sierra Club, the Economic Policy Institute, and other groups in support of a trillion-dollar spending package to stimulate the economy.<sup>9</sup> Their request follows the earlier green stimulus proposal developed by the Center for American Progress Action Fund, which proposed that the federal government spend \$47.2 billion on such projects as Amtrak, Cash for Clunkers, and solar roofs for federal buildings.<sup>10</sup>

### California Is Dreaming

After years of overspending and fiscal mismanagement, more than 40 states are likely to be running large deficits, with California confronting a whopping \$31 billion shortfall—five times larger than the next-worst state, New York. In an attempt to hive off their management problems to the federal taxpayers, a group of Democratic governors is requesting a federal bailout of \$1 trillion, largely to maintain funding for programs at risk of being cut to balance state budgets.<sup>11</sup> Not every governor supports this “take and spend” strategy: South Carolina’s Mark Sanford contends that “Borrowing money and

cutting checks to fund infrastructure is not the best way to juice the economy...and this notion that Washington, with a blink of a wand, can create 2.5 million jobs is strange in a market economy.”<sup>12</sup>

The United States Conference of Mayors is also seeking a bailout from Washington and has prepared an 800-page plan called MainStreet Economic Recovery that would cost \$180 billion and have “lasting economic and environmental benefits.”<sup>13</sup> Though more modest in scope and size than the governors’ plan, the mayors’ proposal has become the object of national and local ridicule because of the nature of many of the projects on the list, including:

- \$4.8 million for a polar bear exhibit in Rhode Island;
- \$13 million for Las Vegas to improve pedestrian access to a casino, as well as additional funds for a Las Vegas museum on organized crime;
- \$6 million for snowmaking equipment in Minnesota; and
- \$100 million to allow Philadelphia to clear land for a casino that has not yet been approved.

### Shovel-Ready?

Underscoring the “not quite ready-to-go” nature of many of the mayor’s projects, some citizens of Charleston, South Carolina, were dismayed to discover that their mayor had offered up their neighborhood for a new cross-island roadway for which no agreement had been reached, nor plans made, nor any land acquired. South Carolina’s *Post and Courier* reported that when confronted by his constituents, Mayor Joseph Riley responded that “[p]eople have a basic misunderstanding of the so-called list.’ The projects on the list are ‘not requests,’ he said, ‘they’re

7. “Shovel-Ready on Campus,” *The Wall Street Journal*, December 18, 2008, p. A18.

8. Barbara Hollingsworth, “Bailout Fever Reaches Charlottesville,” *The Examiner* (Washington, D.C.), January 5, 2009.

9. For information on these groups, see Americans United for Change, Campaign for Jobs and Recovery, at <http://www.jobsandeconomicrecovery.com/er> (January 16, 2009).

10. Bracken Hendricks, “A Strategy for Green Recovery: Stimulating the Economy Today by Rebuilding for Future Prosperity,” Center for American Progress Action Fund, November 10, 2008.

11. Robin Shulman, “Governors Call for \$1 Trillion Stimulus to Offset Budget Cuts,” *The Washington Post*, January 3, 2009, p. A2, at <http://www.washingtonpost.com/wp-dyn/content/story/2009/01/03/ST2009010300239.html> (January 16, 2009).

12. Beth Fouhy, “States Eager for Piece of Plan,” *The Free-Lance Star* (Fredericksburg, Va.), January 3, 2009, p. A1.

13. The U.S. Conference of Mayors’ plan is available at <http://www.usmayors.org/mainstreeteconomicrecovery/> (January 16, 2009).

examples' of projects that could soon be ready for construction if a stimulus package is approved."<sup>14</sup>

Also included in the growing list of petitioners are the many passenger-rail hobbyists who want more money for the already heavily subsidized Amtrak system; the National Association of Realtors and National Association of Homebuilders, who want money to support residential construction; and the Real Estate Roundtable, the National Association of Industrial and Office properties, and individual companies that are seeking federal support for commercial real estate.<sup>15</sup>

The YWCA USA wants to make sure that women "get a robust share of the social spending," while the Latino Coalition wants to make sure that Hispanics are included. Lobbyist Howard Malone of the American Shore and Beach Preservation Association sees the coming stimulus package as an opportunity to restore eroded beaches.<sup>16</sup> And coming on top of the multibillion-dollar bailout of the domestic automobile industry, a consortium of 14 U.S. companies planning to manufacture lithium batteries for General Motors' prospective Chevy Volt electric car are requesting one *billion* dollars of federal subsidies to speed the project along.<sup>17</sup>

## Conclusion

The above-described instances of state and local governments, not-for-profits, and businesses seeking greater subsidies from the federal government reflect only a small sample of the kinds of institutions and organizations making such requests and the areas of activity on which they are focused. In the transportation area alone, organizations such as the American Public Transit Association, the American Road and Transportation Builders Association, the Associated General Contractors, the U.S. Chamber of Commerce, and Building America's Future are among some of the other groups competing with AASHTO for more federal transportation infrastructure spending.

Similar lists could be produced of those requesting more federal spending on the environment, labor unions, education, social welfare, and national parks, to name just a few areas that are of interest to the growing list of petitioners. As Congress gets closer to enacting a stimulus plan, the list of petitioners and self-identified needy components of our economy will certainly grow even more, both in number and in scope.

In a normal legislative year, any one of these influential organizations and their congressional benefactors might be expected to get some piece of the action, as a new President may feel compelled to accommodate some of them. For the new Obama Administration, so much pressure from so many organizations might be seen as hobbling its freedom in crafting a cost-effective stimulus plan that does what it is supposed to do: help jump-start the private economy at minimal cost and interference.

But 2009 is no ordinary year, and the sheer magnitude of the special pleadings—which by now probably exceed in cost several years' worth of the nation's gross domestic product—not to mention the dozens of six- or eight- or 12-point recovery plans, should make most of these self-indulgent schemes easy to ignore for a determined President ready to make his mark and do the right thing.

Not every leading institution or organization is seeking a handout, and some even question whether a severe recession is such a bad thing. Rowan Williams, the archbishop of Canterbury, argues that the credit crunch should be seen as a welcome "reality check" for a climate of "unsustainable greed." But while some others might share that view, the behavior of the many above-cited petitioners suggests that unsustainable greed is alive and well—at least in Washington, D.C.<sup>18</sup>

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14. Diane Knich, "Riley Lists Road with Stimulus Projects," *The Post and Courier* (Charleston, S.C.), December 24, 2008, p. B1.

15. Amy Cortese, "A Wish List for Commercial Real Estate," *The New York Times*, December 28, 2008.

16. Alan Fram, "A Good Target of Opportunity," *The Free-Lance Star* (Fredericksburg, Va.), January 5, 2009, p. C3.

17. Rebecca Smith, "U.S. Firms Join Forces to Narrow Asian Lead in Batteries," *The Wall Street Journal*, p. A1.

18. Joe Parkinson, "Church Sees Lesson in Crisis," *The Wall Street Journal*, December 19, 2008, p. C5.