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## Did President Obama Miss Trading in His Clunker?

*By Rafi Musher, CEO, Stax Inc.*

Last Friday, President Obama authorized another \$2 billion grant for cash for clunkers, a wasteful bill he should have towed to the junkyard instead. Worse, he missed the opportunity to address government's jalopy of an appropriations process, currently inefficient and costly to maintain, its frequent breakdowns will leave us all stranded on the road, far from where we wanted to go.

In 12 short weeks, this lemon of a program went from concept to \$1 billion in handouts for car buyers who swap their old models for new ones that require only modest gains in fuel efficiency, resulting in a negative return on investment for the U.S. and, arguably, no total pollution benefits. Worse, when the money ran out, it became a top priority for congress and senate to appropriate another \$2 billion in grants, which happened in two weeks, and will be deployed in another two months. By allowing Congress to rapidly push through poorly conceived legislation, President Obama is undermining his broader agenda.

The high-speed rail program that President Obama unveiled to great fanfare in April remains unfunded, even though it promises to create jobs across the country, cut oil imports with corresponding financial and political benefits, reduce the cost of transportation, and curb carbon emissions. Obama said all this himself last spring, calling our highways "clogged with traffic costing us \$80 billion a year in lost productivity and wasted fuel," and complaining that while other countries have been building high-speed rail lines for decades, "it's just not being done here."

That this bill had even taken ten minutes of Senate time highlights the government's avoidance of its fiduciary responsibility to spend its time, and our taxpayer, wisely. While the economy reels, Congress has been chasing squeaky wheels. When asked to sign the bill, this was a prime time for the President to forward his agenda and fiscal responsibility, faster than the time it took to introduce the idea of a chief performance officer, and faster than the three months it took agencies to find \$100 million in savings, based on the President's challenge.

When managing anything—government, business, your home, your life—these things are true: Time and money are limited, and you need to think about your options and make trade-offs. Government is supposed to do this for the long-term prosperity of the country.

- **Time:** There are only so many hours in the day and if you spend them developing a program to hand out cash to people to buy cars, you won't have time to get money into the hands of those who build railroads or other critical infrastructure. It took the Department of Transportation close to a month to rev up the cash-for-clunkers giveaway, create 136 pages of instructions, plus 20 pages of amendments, and bureaucrats had to hire Oracle Corp. to run the computer operations so the program could function. What else could have been accomplished with that time?
- **Money:** Government has lost all respect for the worth of the dollar by spending what it doesn't have and printing money to make up for it. Eighteen months ago, a little more than \$2 billion would have bought the taxpayer Bear Stearns in the sale that the U.S. guaranteed for JPMorgan Chase. The government didn't want to do that deal and hasn't gotten much return for the billions of risky investments and guarantees that it gave banks over the last year, yet last week it made a \$2 billion giveaway a top priority for federal consideration.

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- Options and trade-offs: We don't have the money to do everything, and if you allocate \$2 billion for spending, you need to compare the options and make trade-offs for the best investment. That \$2 billion would have gone a long way toward building a grid to bring wind power to homes and commercial centers. With \$2 billion, you could buy 5.7 million bicycles plus helmets, all made in the U.S.A. and provide business for thousands of mom and pop bicycle dealers. If people chipped in \$50 to participate in the program, that could get you up to 6.7 million to 7 million bikes, some of which could be targeted to low-income areas. I've done this myself by providing grants that allow kids in poor neighborhoods to buy bicycles or musical instruments for a fraction of their retail price. Adding 7 million bicycles would reduce fuel consumption, save people money, improve people's health, cut down on obesity related health care expenses, and meaningfully influence generations today and tomorrow.

When he ran for the White House last year, candidate Obama demonstrated thoughtfulness and careful financial analysis. His campaign raised unprecedented amounts of money more cost effectively than others, and spent the money more cost effectively than other candidates. While Washington is charged with making the best use of the dollars we provide it, elected officials and their staffs rarely have the resources to conduct the kind of analysis that they need to make good trade-offs.

The problem is getting worse. A couple of months ago I met the head of the Congressional Budget Office, whose group of highly trained analysts helps agencies and officials examine situations and figure out how to deal with them in the most cost-effective manner. The agency had 250 employees at the time but no budget to hire more people, or bring on more resources. Ironically, while Washington increases spending across the board without discipline, the only internal group that seems qualified to help isn't receiving more budget to do so.

The cash-for-clunkers grant and speed in which it was deployed is only the latest sign that government needs to rethink spending and the appropriations process. The current program was so bastardized in committee that even early supporters were glad to see it slashed from \$5 billion to \$1 billion. Yet weeks later it ballooned again and was out the door. If we keep using this squeaky wheel and clunky process to allocate spending, the nation will no doubt end up stuck on the side of the road.