

U.S. House of Representatives
Committee on Oversight and Government Reform
Darrell Issa (CA-49), Chairman



**Doubling Down on Failure:
Before Asking for a New Stimulus Package, Will
the Obama Administration Admit that the First
One Failed?**

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President Obama has sold stimulus as a successful effort to save the economy from the brink. As he prepares to offer a “son of stimulus” proposal to Congress and the American people, it is vital to understand exactly the results of the previous attempt and assess its overall cost vs. benefit.

The House Oversight and Government Reform Committee has reviewed public-available data on the stimulus and prepared a comprehensive report that examines stimulus measures as well as how President Obama and his Administration “sold” the program to the public. On both accounts, stimulus failed.

Findings:

- The reality of the Stimulus is that it did not achieve the results President Obama and Administration officials told Americans that it would produce. **Two and a half years after its implementation, at a cost of \$825 billion, the economy has still lost 2.3 million jobs.**
- While the American public realizes that the stimulus has failed, **President Obama and Administration officials continue to defend it.**
- The Stimulus has been followed by stark economic realities: throughout **2009 and 2010, unemployment rose and then remained well above the promised “8 percent” level—peaking at 10.1 percent** in October 2009.
- Digging deeper, the numbers paint a shocking picture of the U.S. economy. Currently, **less than 55 percent of Americans have full time jobs—the lowest percentage in modern times. Some 25 million people are unemployed or unable to find full time jobs.**
- **A study from Ohio State University in May 2011 found that instead of creating jobs, the Stimulus “destroyed/forestalled one million private sector jobs” but did, however, protect 450,000 jobs in the government sector.** At the state level, instead of boosting private sector employment, the program supported paying off state revenue shortfalls and Medicaid increases.
- The Obama Administration has held construction sector support as a key justification for the Stimulus, but its numbers are misleading. **Although the number of unemployed construction workers has dropped from 27.1 percent in February 2010 to 13.6 percent in July 2011, the number of available jobs has remained largely the same.**

Why? Because unemployed construction workers are no longer searching for jobs within that industry.

- The Bureau of Labor Statistics reported that while the unemployment rate was 9.1 percent in July 2011, **an additional 8.1 million workers are working part time because they are unable to find full-time jobs or their hours have been cut.**
- **An additional 1.1 million “discouraged” workers have stopped looking for jobs because they did not believe there were any available. Measured together, the true unemployment rate is 16.1 percent.**

The American people measure stimulus based on whether or not they have experienced results. With unemployment stuck above 9 % and the U.S. economy struggling to recover, it is clear to say—two years after stimulus—that it did not live up to its advertised results, and failed.

Failure to understand the consequences of poor policy decisions will yield only more poor policy decisions and not the job creation, economic growth and recovery that the American people deserve.

On February 17, 2009 President Barack Obama signed into law the American Recovery and Reinvestment Act (ARRA or the stimulus), hastily written and approved by Democrat majorities in Congress. The President and his allies promised that the bill would stimulate the economy and create millions of jobs to reverse the path of the soaring unemployment rate. Simply put, it did neither. Two and a half years, \$825 billion¹, and 2.3 million fewer jobs later², the American economy remains on the brink. The Obama Administration's answer? Doubling down on stimulus spending.³

President Obama and White House officials made major promises about how much the stimulus would help the economy, and carefully managed their messaging in an attempt to convince the American public that it would succeed.⁴ For several months, the Administration maintained this carefully coordinated media campaign to highlight the purported benefits and successes of the stimulus. However, the American people quickly began to question its positive impact. Administration officials changed tactics and instead claimed they had not, and indeed no one could have, understood the severity of the recession, all the while continuing to claim that the stimulus had helped the economy and prevented an even worse economic catastrophe. Rather than admit the failure of the stimulus, the Obama Administration chose to deflect the blame elsewhere.

Meanwhile, unemployment skyrocketed above the Obama Administration's promised high-water mark of 8 percent to more than 10 percent; today, the rate remains above 9 percent. According to the U.S. Bureau of Labor Statistics (BLS), 2.3 million fewer Americans have jobs than when President Obama signed the stimulus into law two and half years ago.⁵ The Congressional Budget Office projects that the unemployment rate will stay above 8 percent until at least 2014.⁶ Clearly, the stimulus did not have the positive effect on jobs that the Obama

¹ The Congressional Budget Office now estimates that the stimulus will cost \$825 billion. See: "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output from April 2011 Through June 2011," Congressional Budget Office, August 2011. Available at: <http://www.cbo.gov/ftpdocs/123xx/doc12385/08-24-ARRA.pdf>.

² According to the U.S. Bureau of Labor Statistics, 11.6 million were unemployed in January 2009, President Obama's first month in office. In July 2011, the Bureau of Labor Statistics reported that 13.9 million are now unemployed. See: "Increase in Unemployment Rate in January 2009," Bureau of Labor Statistics, February 10, 2009. Available at: <http://www.bls.gov/opub/ted/2009/feb/wk2/art02.htm>. See also: "The Employment Situation – July 2011," Bureau of Labor Statistics, August 5, 2011. Available at: <http://www.bls.gov/news.release/pdf/empsit.pdf>.

³ Zachary A. Goldfarb and Peter Wallsten, "Obama to issue new proposals on job creation, debt reduction," *The Washington Post*, August 17, 2011.

⁴ *Bloomberg* reported that Obama campaign advisors David Axelrod, Jim Margolis, and Robert Gibbs were all advising the incoming Administration on what words to use when describing the stimulus, favoring words like "recovery" instead of "recession." See: Hans Nichols and Lorraine Woellert, "Obama Uses Campaign Tactics to Sell Stimulus Plan," *Bloomberg*, January 9, 2009. Available at: <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=ayF6GMG.c7vA>.

⁵ See Note 2.

⁶ "Budget and Economic Outlook: An Update," Congressional Budget Office, August 2011. Available at: <http://www.cbo.gov/ftpdocs/123xx/doc12316/08-24-BudgetEconUpdate.pdf>.

Administration promised as the unemployment rate remains stuck at 9.1% and a net total of zero jobs were created in August (the first time that has occurred in a month since World War Two).⁷

The American people have not been fooled by the Administration's claims that the stimulus worked. A *Washington Post*/ABC News poll from March 2011 revealed that 70 percent of Americans think the stimulus had either no effect or a negative effect on the economy.⁸ Confidence in the American economy after more than two years of stimulus is also strikingly poor: a mere 8 percent of Americans think the economy is "excellent" or "good."⁹

While the American public realizes that the stimulus has failed, the Obama Administration continues unfazed, unable or unwilling to admit the failure of its policies. In a pre-inauguration op-ed trying to sell the benefits of President Obama's forthcoming stimulus plan, Larry Summers—who would become a key economic advisor in the Administration—wrote that "we must measure progress not by the agendas of interest groups but by whether the American people experience results."¹⁰ It is time for The President to take this advice and evaluate the results of the stimulus on the American people. As he prepares to seek Congressional and public support for a new round of legislation to create jobs, it is imperative to have an accurate assessment of his record in this area and understand his previous promises on jobs measured against actual results.

Stimulus Promises

*"Most of the money we're investing as part of this plan will get out the door immediately and go directly to job-creation, generating or saving three to four million new jobs. And the vast majority of these jobs will be created in the private sector..... Instead of just throwing money at our problems, we'll try something new in Washington – we'll invest in what works."*¹¹

President Barack Obama, January 28, 2009

Even before entering office, the Obama Administration made its first priority passing a large economic stimulus package. House and Senate Democrats worked with the Administration

⁷ Jeff Cox, "Economy Gains No Jobs in August, Rate Holds at 9.1%," CNBC, September 2, 2011. Available at: http://www.cnbc.com/id/44370439/Economy_Gains_No_Jobs_in_August_Rate_Holds_at_9_1.

⁸ *Washington Post*/ABC News poll, March 13, 2011. Available at: http://www.washingtonpost.com/wp-srv/politics/polls/postpoll_03142011.html.

⁹ "Gallup Daily: U.S. Economic Conditions," Gallup, August 26, 2011. Available at: <http://www.gallup.com/poll/110821/Gallup-Daily-US-Economic-Conditions.aspx>.

¹⁰ Lawrence Summers, "Obama's Down Payment: A Stimulus Must Aim for Long-Term Results," *The Washington Post*, December 28, 2008. Available at: <http://www.washingtonpost.com/wp-dyn/content/article/2008/12/26/AR2008122601299.html>.

¹¹ President Barack Obama, "Remarks of President Barack Obama on the Economy," Office of the Press Secretary, January 28, 2009. Available at: <http://www.whitehouse.gov/the-press-office/remarks-president-barack-obama-economy>. Emphasis added.

to craft the \$787 billion ARRA package, which was quickly passed and signed into law. Proponents of ARRA launched an aggressive public relations campaign that claimed the stimulus as the key to creating millions of jobs, and painted opponents of ARRA as wanting to let the economy fail. Administration officials relied on Keynesian economic models to justify their claims that the stimulus would create millions of jobs and bring the economy out of recession.

Before President Obama was even inaugurated, he claimed that the stimulus “will likely save or create three to four million jobs.”¹² In the early months of his term, both President Obama and his Administration repeated that claim, and provided concrete projections on the nature of these jobs. On the day he signed the stimulus into law, President Obama declared:

“What makes this recovery plan so important is not just that **it will create or save 3.5 million jobs over the next two years**, including 60,000-plus here in Colorado. It's that we're putting Americans to work doing the work that America needs done in critical areas that have been neglected for too long; work that will bring real and lasting change for generations to come.”¹³

The next month, Vice President Joe Biden claimed that those 3.5 million jobs would be created by *the end of 2009*. He had confidence in this estimate because the stimulus would have a quick effect by funding allegedly “shovel ready” projects that were already “on the books”:

“And we hope and believe **it will create or save 3.5 million jobs by the end of the year**. Because as our folks understand, if people don't have jobs -- to make the President's point -- they don't have income. If they don't have income, they cannot purchase anything. If you cannot purchase anything -- and the list -- the cycle goes on.

“The Recovery Act, as we call it, provides **a necessary jolt to our economy to implement what we refer to as "shovel-ready" projects, meaning projects that were on the books** that were needed in the municipalities and the states that would improve the quality of life for our constituents, the competitiveness of our businesses, but were unable to be funded.”¹⁴

Where did these job creation numbers originate? The Administration backed up its rhetoric by relying on a study by Christina Romer (then-Chair of the Council of Economic

¹² President Barack Obama, “Obama: Stimulus Will Create 4.1 Million Jobs,” *Associated Press*, January 10, 2009. Available at: http://www.msnbc.msn.com/id/28590554/ns/business-stocks_and_economy/t/obama-stimulus-will-create-million-jobs/.

¹³ Barack Obama, “Remarks by the President and the Vice President at Signing of The American Recovery and Reinvestment Act,” Office of the Press Secretary, February 17, 2009. Available at: <http://www.whitehouse.gov/the-press-office/remarks-president-and-vice-president-signing-american-recovery-and-reinvestment-act>. Emphasis added.

¹⁴ Vice President Joe Biden, “Remarks by the Vice President at the First Session of the Progressive Governance Conference,” Office of the Vice President, March 28, 2009. Available at: <http://www.whitehouse.gov/the-press-office/remarks-vice-president-first-session-progressive-governance-conference-vina-del-mar>. Emphasis added.

Advisors) and Jared Bernstein (then-Chief Economist and Economic Policy Advisor to the Vice President) entitled “The Job Impact of the American Recovery and Reinvestment Plan.”¹⁵ In the beginning of the report, Romer and Bernstein listed their “key preliminary findings,” including:

- A package in the range that the President-Elect has discussed is expected to **create between three and four million jobs by the end of 2010.**
- Certain industries, **such as construction and manufacturing,** are likely to experience particularly strong job growth under a recovery package that includes an emphasis on infrastructure, energy, and school repair.
- More than 90 percent of the jobs created are likely to be in the **private sector.**¹⁶

Romer and Bernstein included a graph in the report that charted the levels of unemployment in the United States both with and without the stimulus (see Figure 1 below). The line representing unemployment without the recovery plan had unemployment rising to slightly above 9 percent in 2010 and then falling towards the end of 2010. The line representing unemployment if the recovery plan passed diverged from the other line in the first quarter of 2009 (when the stimulus would begin getting implemented) to peak below 8 percent unemployment in the third quarter of 2010 before rapidly declining to less than 7 percent unemployment by the third quarter of 2011. Immediately above the graph, Romer and Bernstein declared that “in the absence of stimulus, the economy could lose another 3 to 4 million more [jobs].”¹⁷

¹⁵ Christina Romer and Jared Bernstein, “The Job Impact of the American Recovery and Reinvestment Plan,” January 9, 2009. Available at: <http://www.thompson.com/images/thompson/nclb/openresources/obamaeconplanjan9.pdf>. Emphasis added.

¹⁶ *Id.*

¹⁷ *Id.*

Figure 1
Unemployment Rate With and Without the Recovery Plan

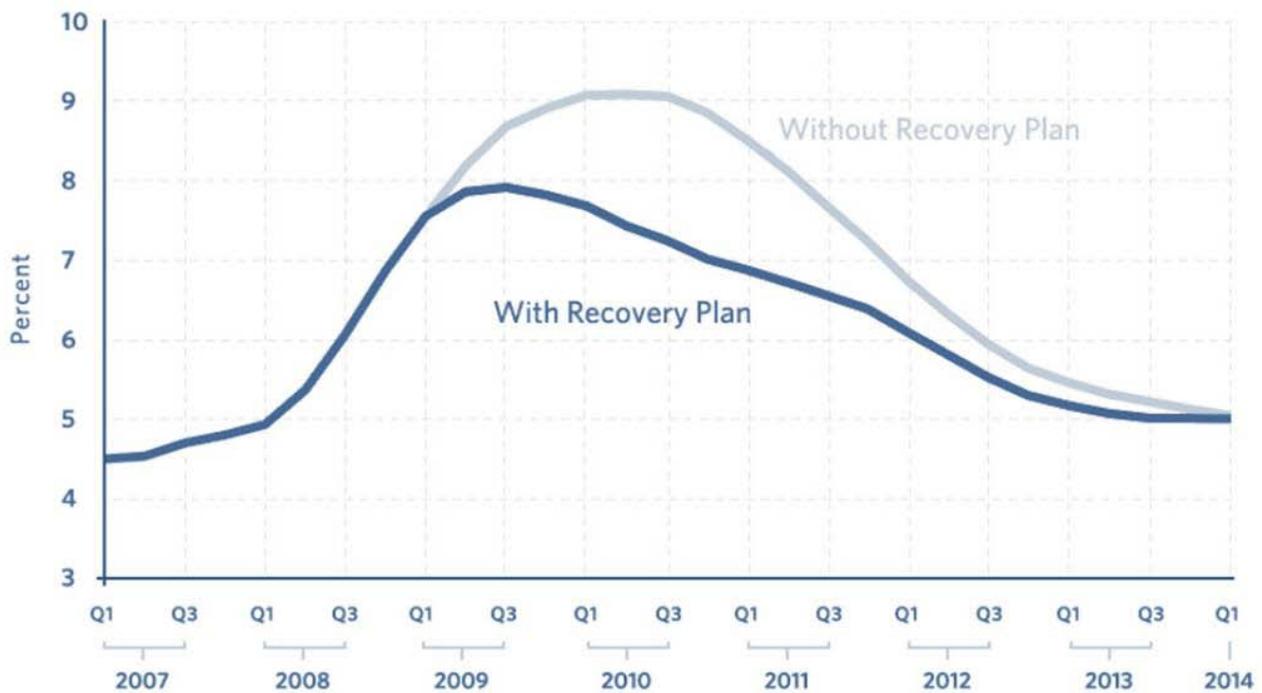


Figure 1: The Administration’s Stimulus Unemployment Projections¹⁸

The rhetoric and the figures various Administration officials used when describing the stimulus indicated that it would have an immediate effect and lower unemployment quickly. In the months following the passage of the stimulus, the Administration defended the effectiveness of the stimulus:

- In May 2009—despite 9.4 percent unemployment (1.4 percent higher than the promised stimulus peak)—Vice President Biden proclaimed that the stimulus was “ahead of schedule in most programs and, due to efficiencies and sound management, many projects are coming in under budget.”¹⁹
- In July 2009—despite 9.5 percent unemployment (1.5 percent higher than the promised stimulus peak)—President Obama said to “keep in mind that we got an \$800 billion stimulus package, by far the largest stimulus package ever approved

¹⁸ *Id.*

¹⁹ Mike Allen, “Biden: Stimulus ‘ahead of schedule,’” *Politico*, May 13, 2009. Available at: <http://www.politico.com/news/stories/0509/22471.html>.

by a United States Congress. And the stimulus package is working exactly as we had anticipated.”²⁰

- Also in July, Treasury Secretary Tim Geithner testified to Congress that “the stimulus package is on its expected path, in terms of the rate of change, and in terms of putting money in the pockets of taxpayers, to provide substantial forms of assistance to states to reduce the risks that they are forced to fire tens of thousands of teachers, workers, and firemen.”²¹
- In September 2009—despite 9.8 percent unemployment (1.8 percent higher than the promised stimulus peak)—Vice President Biden stated that the stimulus was “doing more, faster, more efficiently, and more effectively than most expected.”²²
- In February 2010—despite 9.7 percent unemployment (1.7 percent higher than the promised stimulus peak)—Alan Krueger, then Assistant Secretary for Economic Policy at the Treasury Department and newly announced Chair of the Council of Economic Advisors, claimed that “policies undertaken last year—including the Recovery Act, the Financial Stability Plan, and various housing programs—**played a key role in arresting the economy’s freefall and restoring an environment conducive to private sector economic growth.**”²³

Throughout 2009 and early 2010, unemployment rose and then remained well above the Administration’s promised 8 percent high point, peaking at 10.1 percent in October 2009. Yet, even as unemployment continued its rapid ascent, Obama officials still maintained that the stimulus was working as planned. Eventually, however, as the economy continued to struggle and the stimulus did not stop massive layoffs, the Administration realized that it could not maintain its unrealistic positive rhetoric about the stimulus and instead decided to try a new strategy when talking about the stimulus.

The Stimulus Backpedal: “We Misread How Bad the Economy Was”

As the economy continued to bleed jobs despite the stimulus and the Administration’s claims of success, the Administration never admitted that the stimulus was

²⁰ President Obama, “Interview with Barack Obama,” Anderson Cooper 360 Degrees, *CNN*, July 13, 2009. Available at: <http://transcripts.cnn.com/TRANSCRIPTS/0907/13/acd.01.html>.

²¹ Tim Geithner, Testimony before the Committee on Agriculture and the Committee on Financial Services, U.S. House of Representatives, “Hearing to Examine the Regulation of Over-the-Counter Derivatives,” July 10, 2009. Available at: <http://agriculture.house.gov/testimony/111/111-23.pdf>.

²² Vice President Joe Biden, “Biden: Stimulus Working Better Than Expected,” *Fox News*, September 3, 2009. Available at: <http://www.foxnews.com/politics/2009/09/03/biden-stimulus-working-better-expected/>.

²³ Alan Krueger, “Alan B. Krueger Assistant Secretary for Economic Policy & Chief Economist Statement,” February 2, 2010. Available at: <http://www.treasury.gov/press-center/press-releases/Pages/tg525.aspx>. Emphasis added.

proving to be an ineffectual weapon against the worsening economy. However, it appears they were clearly aware of this fact because there was a noticeable change in message and theme over time. Administration officials stopped describing the stimulus as a quick fix and began to emphasize that it would take time for the stimulus to create jobs. They also stressed the extreme nature of the recession and claimed that they had not understood the gravity of the situation when they took over the White House.

First, Administration officials changed the stimulus timeline. In July 2009, Vice President Biden—despite claiming the stimulus was ahead of schedule a mere two months before—flip-flopped while talking to ABC News’s George Stephanopoulos:

“The truth is, **we and everyone else misread the economy**. The figures we worked off of in January were the consensus figures and most of the blue chip indexes out there.

We misread how bad the economy was, but we are now only about 120 days into the recovery package. The truth of the matter was, no one anticipated, no one expected that that recovery package would in fact be in a position at this point of having to distribute the bulk of money.

The question is, how do you now -- do we -- what we have to do, George, is we have to, as this rolls out, **put more pace on the ball**. The second hundred days you're going to see a lot more jobs created.”²⁴

Also in July, Larry Summers, Director of the National Economic Council, claimed that the Administration had never said the stimulus would have an immediate effect on unemployment. He argued that everyone knew the stimulus would take months to have a significant impact, saying “given lags in spending and hiring, **the peak impact of the stimulus on jobs was expected not to be achieved until the end of 2010.**”²⁵

After changing the timeline for stimulus results, one of the architects of the stimulus second-guessed the report she had written to sell the stimulus. Christina Romer was asked about “The Job Impact of the American Recovery and Reinvestment Plan” and stated that “one could have presented it differently. If we’d only talked about the effect of the stimulus on the change in unemployment [instead of predicting the unemployment rate itself]...it would have been

²⁴ Vice President Joe Biden, “This Week EXCLUSIVE: Vice President Joe Biden,” ABC News, July 5, 2009. Available at: <http://abcnews.go.com/ThisWeek/Politics/story?id=8002421&page=1&singlePage=true>. Emphasis added.

²⁵ Matthew Jaffe, “Summers: Despite Rising unemployment, Stimulus Has Not Failed,” ABC News, July 17, 2009. Available at: <http://abcnews.go.com/blogs/politics/2009/07/summers-despite-rising-unemployment-stimulus-has-not-failed/>. Emphasis added.

better. The thing I obviously couldn't control is the baseline forecast, and that's the thing I'm getting criticized for."²⁶

In recent months, Administration officials have come very close to admitting the overall failure of the program and the Administration's economic policies in general. In June 2011, President Obama admitted while speaking at the Council on Jobs and Competitiveness that **"shovel-ready was not as shovel-ready as we expected."**²⁷ This admission by President Obama undercut a major argument of the Administration at the time of the stimulus that the package would immediately fund construction projects and get people working quickly. The stimulus did not immediately begin creating jobs, but it took President Obama over two years to admit this failure.

In August 2011, former stimulus architect Christina Romer revealed her true feelings about the overall state of the U.S. economy in light of the S&P credit downgrade. On the "Real Time with Bill Maher" show, Romer told Maher that the U.S. is "pretty darn fucked."²⁸ In a complete turnaround from her study two and a half years ago that predicted unemployment would peak at 8% and that the economy would quickly recover thanks to the stimulus, Romer (now a University of California, Berkley economics professor) admitted that the economy was in serious trouble and had not been fixed by the stimulus.

Job Creation Isn't "Rocket Science"

*"There are no challenges that we're facing that we don't have the solutions to. We know what to do...It's not rocket science."*²⁹

President Barack Obama, August 8, 2011

In August 2011, President Obama stated that job creation is "not rocket science" and that the Administration "know[s] what to do" to address the nation's economic challenges.³⁰ All evidence, however, points to the contrary. Since President Obama took office, the number of unemployed Americans has increased by 2.3 million.³¹ The unemployment rate has risen a full

²⁶ Lori Montgomery, "Economist Christina Romer regrets saying jobless rate would stay below 8 percent," *The Washington Post*, August 7, 2010. Available at: <http://www.washingtonpost.com/wp-dyn/content/article/2010/08/06/AR2010080606271.html>

²⁷ President Barack Obama, "Obama Jokes at Jobs Council: 'Shovel-Ready Was Not as Shovel-Ready as We Expected,'" *Fox News*, June 13, 2011. Available at: <http://nation.foxnews.com/president-obama/2011/06/13/obama-jokes-jobs-council-shovel-ready-was-not-shovel-ready-we-expected>. Emphasis added.

²⁸ Christina Romer, "Christina Romer Lets Looks on Credit Downgrade: We're 'Pretty Darn F—d'", *The Daily Caller*, August 6, 2011. Available at: <http://dailycaller.com/2011/08/06/christina-romer-lets-loose-on-credit-downgrade-were-pretty-darn-fucked/>.

²⁹ President Barack Obama, "Obama: Job Creation 'Not Rocket Science,'" *United Press International*, August 8, 2011. Available at: http://www.upi.com/Top_News/US/2011/08/08/Obama-Job-creation-not-rocket-science/UPI-75971312856530/.

³⁰ *Id.*

³¹ See Note 2.

percentage point from 8.1 percent in February 2009, when ARRA was passed, to 9.1 percent in July 2011 and remained there in August 2011.³² Currently, less than 55 percent of Americans have full time jobs – the U.S.’s lowest percentage of citizens in modern times – and 25 million people are unemployed or unable to find full time jobs.³³ There have not been more idle American workers since the Great Depression.³⁴

In January 2009, ten days before President Obama became president, he declared that the stimulus “will likely save or create three to four million jobs.”³⁵ He added that “If nothing is done, economists from across the spectrum tell us that this recession could linger for years and the unemployment rate could reach double digits.”³⁶ In fact, the unemployment rate did reach double digits less than eight months after the stimulus was passed, peaking at 10.2 percent in October 2009.³⁷ All the while, the economy remained stagnant.

President Obama claimed that “the vast majority” of jobs created would be in the private sector. However, in May 2011 a study found that instead of creating jobs, ARRA **“destroyed/forested one million private sector jobs.”**³⁸ The study also estimated that in total, the stimulus only saved or created about 450,000 jobs, all of them in the government sector.³⁹ At the state level, instead of boosting private sector employment, ARRA funds went mainly to paying off state revenue shortfalls and Medicaid increases.⁴⁰

Construction work is one of the few fields of industry that has seen a drop in unemployment rates since the stimulus was enacted, but even that is misleading. Although the number of unemployed construction workers has dropped from 27.1 percent in February 2010 to 13.6 percent in July 2011, the number of available jobs has remained largely the same since February 2010.⁴¹ The reason for the significant drop in unemployment rates is simple:

³² “The Employment Situation – July 2011,” Bureau of Labor Statistics, August 5, 2011. *Available at:* <http://www.bls.gov/news.release/pdf/empsit.pdf> and “Employment Situation Summary,” Bureau of Labor Statistics, September 2, 2011. *Available at:* <http://bls.gov/news.release/empsit.nr0.htm>.

³³ “Enough Talk About Jobs. Where’s the Action?,” *The Washington Post*, August 9, 2011. *Available at:* http://www.washingtonpost.com/national/on-leadership/enough-talk-about-jobs-wheres-the-action/2011/08/09/gIQA1Z1e4I_story.html.

³⁴ Mortimer Zukerman, “Why the Jobs Situation Is Worse Than It Looks,” *U.S. News & World Report*, June 20, 2011. *Available at:* <http://www.usnews.com/opinion/mzuckerman/articles/2011/06/20/why-the-jobs-situation-is-worse-than-it-looks?PageNr=1>.

³⁵ President Barack Obama, “Obama: Stimulus Will Create 4.1 Million Jobs,” *Associated Press*.

³⁶ *Id.*

³⁷ “Labor Force Statistics,” Bureau of Labor Statistics, accessed September 1, 2011. *Available at:* <http://data.bls.gov/timeseries/LNS14000000>.

³⁸ “The American Recovery and Reinvestment Act: Public Sector Jobs Saved, Private Sector Jobs Forestalled,” Timothy Conley and Bill Dupor, May 17, 2011. *Available at:* http://web.econ.ohio-state.edu/dupor/arra10_may11.pdf. Emphasis added.

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ Annie Lowrey, “The Construction Workers Have Left the Building,” *Slate*, August 15, 2011. *Available at:* <http://www.slate.com/id/2301511/>.

Unemployed construction workers are no longer even searching for jobs within the industry. Ken Simonson, chief economist for the Associated General Contractors of America, noted that “unemployed workers are leaving the industry at seven times the rate they are finding jobs in it.”⁴² Some construction workers are looking for jobs in other sectors, are working part time jobs, or have been forced into early retirement. Those workers are not counted as part of the official unemployment number. The “particularly strong job growth” for construction that Romer and Bernstein had promised never occurred.

The amount of unemployed or underemployed workers who are not counted as part of the official unemployment number is not just a problem in the construction industry. According to the Bureau of Labor Statistics (BLS), the unemployment rate was 9.1 percent in July 2011.⁴³ However, an additional 8.1 million workers are working part time because they are unable to find full-time jobs or their hours have been cut.⁴⁴ BLS also reported 2.8 million people were available for work and had looked for jobs, but were not counted in the official unemployment index because they had not actively searched for a job in the four weeks preceding the latest survey.⁴⁵ There were also 1.1 million discouraged workers, who stopped looking for jobs because they did not believe there were any available.⁴⁶ When these people are accounted for, the total unemployment or underemployment percentage is not 9.1 percent, as reported officially, but 16.1 percent.⁴⁷

What *Did* the Stimulus Do? Questionable Grants

When one looks at how stimulus money was spent, perhaps the program’s overall failure is not surprising. Many projects that received stimulus funds are not only failing to create new jobs, but are also providing little or no benefit to taxpayers. These grants range from paying \$5 million to create a geothermal energy system for a largely vacant shopping mall⁴⁸ to funding “socially conscious” puppet shows at a liberal theater named In the Heart of the Beast after a quote from Che Geuvara.⁴⁹ In Texas, a \$22 million grant went to improve the homes of the poor. In over 60 percent of the homes, the workmanship was so flawed that it will have to be

⁴²“Construction Employment Inches Up to 15-Month High in July But Threat of Budget Gridlock May Jeopardize Public Construction Activity,” Associated General Contractors of America, August 5, 2011. *Available at:* http://www.agc.org/cs/news_media/press_room/press_release?pressrelease.id=885.

⁴³ Bureau of Labor Statistics, “The Employment Situation – July 2011,” August 5, 2011.

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷“Beneath Jobs Report Surface Lie Some Ugly Truths,” *USAToday*, August 5, 2011. *Available at:* http://www.usatoday.com/money/economy/2011-08-05-cnbc-jobs-report_n.htm.

⁴⁸ “Senate GOP Point Out ‘Pure Waste’ Found in Stimulus Package,” *The Hill*, December 8, 2009. *Available at:* <http://thehill.com/homenews/senate/71169-gop-points-out-pure-waste-in-stimulus>.

⁴⁹ Senator Tom Coburn and Senator John McCain, “Stimulus Checkup,” December 2009. *Available at:* http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=a28a4590-10ac-4dc1-bd97-df57b39ed872.

redone.⁵⁰ The Omaha Public Schools system spent over \$130,000 of stimulus money on “diversity manuals” for every employee, from teachers to custodial staff.⁵¹ The manuals are to help staff become more “culturally sensitive.”⁵² One grant even went to fund a teenage alligator wrestler in Florida.⁵³

Many grants have been given for scientific research, including a study on the effects of alcohol on mice and the mating habits of cactus bugs.⁵⁴ Penn State University received \$1.5 million for a study of plant fossils in Argentina.⁵⁵ Similarly, The University of California at San Diego got a grant to study African voting patterns.⁵⁶ The State University of New York at Buffalo got money to study the drinking and marijuana smoking habits of Buffalo locals.⁵⁷ In Arizona, two universities received \$1 million for three grad students to study ant colonies, which cost the government over \$300,000.⁵⁸ One professor at Duke University even received a \$498,000 grant to study Facebook.⁵⁹ As debatable as the usefulness of these science studies are, their ability to create jobs is even more dubious.

Not only are grants being given to recipients whose projects are questionable at best, but thousands of recipients also owed money to the government. In April 2011, the U.S. Government Accountability Office (GAO) reported that as many as 3,700 Recovery Act recipients owed at least \$750 million in federal taxes.⁶⁰ These recipients received a total of over \$24 billion in Recovery Act funds despite the fact they owed money to the government. The health care and the security industries were the worst offenders. Nonprofit health care organizations were often found to have submitted dishonored checks for their taxes, and both health care and security organizations owed payroll taxes.⁶¹ Some stimulus money even went to

⁵⁰ “Shoddy Workmanship Found in \$22 Million Federal Stimulus Contract to Improve the Homes of the Poor,” *Texas Watchdog*, May 13, 2010. Available at: <http://www.texaswatchdog.org/2010/05/shoddy-workmanship-found-in-a-223-million-federal-stimulus/1273768182.story>.

⁵¹ “OPS Buys 8,000 Diversity Manuals,” *Omaha World-Harold*, July 10, 2011. Available at: <http://www.omaha.com/article/20110710/NEWS01/707109937/1031357>.

⁵² *Id.*

⁵³ “Stimulus Dollars Snapped Up to Fund Teen Alligator Wrestlers,” *Taxpayers Protection Alliance*, August 10, 2011. Available at: http://www.protectingtaxpayers.org/index.php?blog&action=view&post_id=61.

⁵⁴ “Stimulus Money and Weird Science: Benefit or Boondoggle?” *Florida Sentinel*, February 15, 2010. Available at: http://articles.sun-sentinel.com/2010-02-15/news/fl-stimulus-projects-20100215_1_stimulus-cactus-projects.

⁵⁵ “Millions in Stimulus Spending Being Doled Out for Questionable Jobs,” *FOX News*, February 4, 2010. Available at: <http://www.foxnews.com/politics/2010/02/04/millions-doled-questionable-jobs/>.

⁵⁶ *Id.*

⁵⁷ “Senate GOP Point Out ‘Pure Waste’ Found in Stimulus Package,” *The Hill*.

⁵⁸ *Id.*

⁵⁹ “Seeking Privacy in the Clouds: Research Aims at Isolating Social Network Information from ‘Control of a Central Entity,’” *Science Daily*, October 15, 2009. Available at: <http://www.sciencedaily.com/releases/2009/10/091013162746.htm>.

⁶⁰ U.S. Government Accountability Office, “Recovery Act: Thousands of Recovery Act Contract and Grant Recipients Owe Hundreds of Millions in Federal Taxes,” GAO-11-485, April 2011. Available at: http://www.cbsnews.com/htdocs/pdf/GAO_stimulus_report.pdf.

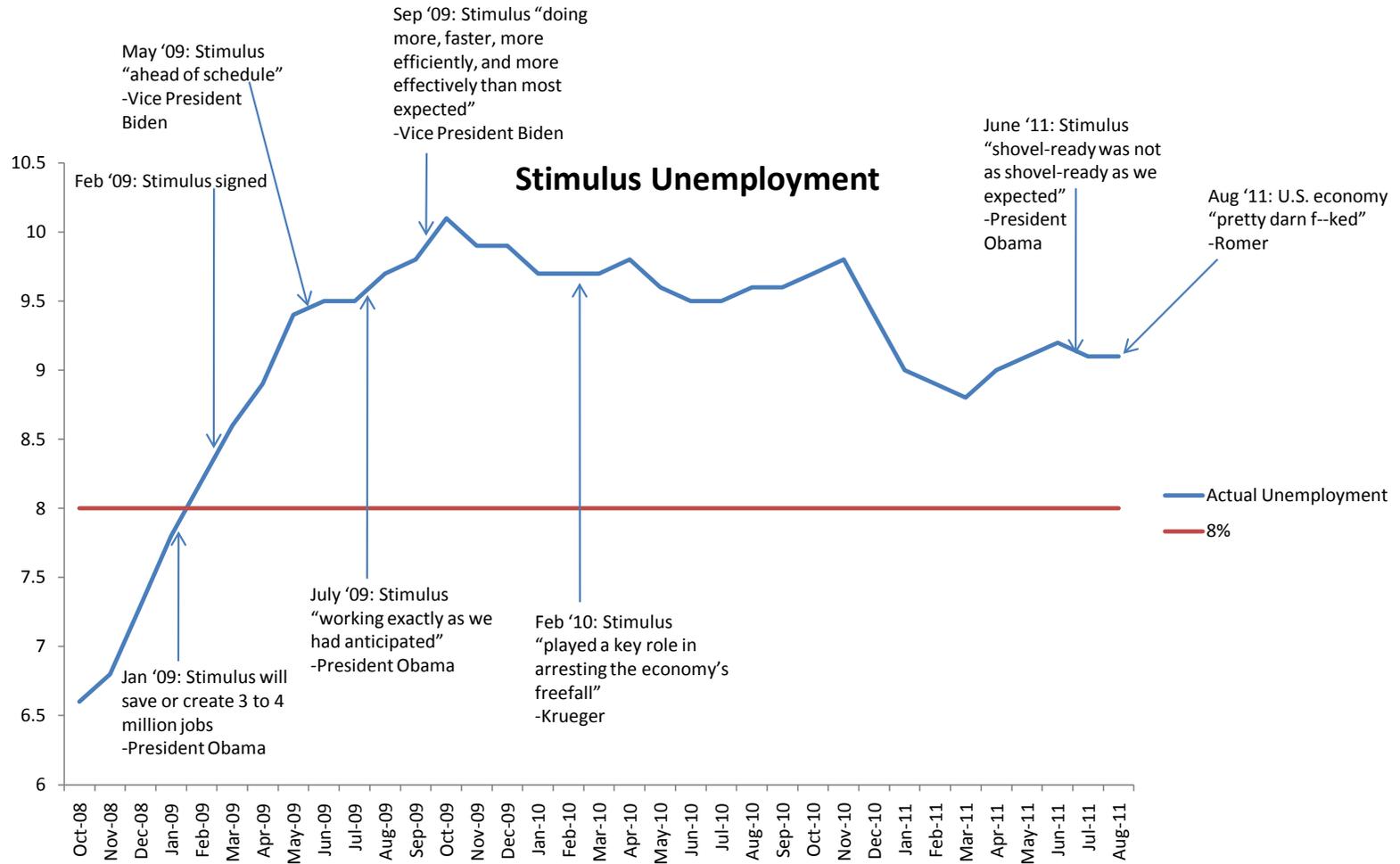
⁶¹ *Id.*

convicted criminals. In 2009, it was discovered that over 4,000 convicts – including murderers and rapists – received and cashed \$250 stimulus checks.⁶²

Will President Obama Finally Admit the Stimulus Failed?

It is time that the Administration takes Summers's pre-inauguration advice and measures the progress of the stimulus by whether the American people have experienced results. With unemployment stuck above 9% and the entire economy continuing to struggle, the stimulus clearly did not live up to its advertised results and failed. Over the past months, the Administration has gradually begun admitting that their various stimulus claims were wrong. Before proposing more ill advised stimulus spending, it is time for the Administration finally to admit that the stimulus has failed.

⁶² "Feds: Stimulus Money Sent to 4,000 Cons," *The Boston Herald*, August 26, 2009. Available at: http://www.bostonherald.com/news/regional/view/20090826feds_stimulus_money_sent_to_4000_cons_herald_report_spurs_probe/srv=home&position=also.



Source: Bureau of Labor Statistics

About the Committee

The Committee on Oversight and Government Reform is the main investigative committee in the U.S. House of Representatives. It has authority to investigate the subjects within the Committee's legislative jurisdiction as well as "any matter" within the jurisdiction of the other standing House Committees. The Committee's mandate is to investigate and expose waste, fraud and abuse.

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