



## Construction Industry Round Table

## Business News

A force for positive change in the design / construction industry

1/27/2010 – **State of the Union and More**

President Obama's State of the Union speech was as much about the state of the economy and business as it was about the state of his political fortunes (and future). With the bloom off the bud after only one in year in office the President is trying to recast himself as a "populist" talking (that is "fighting" for the American people) with freezing government spending, taxing and/or regulating the financial markets (large banks), and creating "green" jobs (with government stimulus/assistance). Of course, any freeze in discretionary non-security related programs means areas where infrastructure dollars are generally spent. Beyond the rhetoric of the speech, here are some of the hard facts to keep in mind:

Budget/Deficits (Spending Freeze): Last year alone, the federal deficit hit \$1.4 Trillion on record spending of \$3.7 Trillion – so the freeze will be holding in place record spending levels and apply to only \$447 billion (or just 12% of the total). Currently, we have amassed \$12.3 Trillion in total public debt (more than twice the level in 2008). The nonpartisan Congressional Budget Office (CBO) estimates that for the next decade that the supposed savings from the freeze will amount to only 0.5% of the expected \$43 Trillion in spending. [BTW, the 2010 budget is expected be \$1.35-1.38 Trillion in the **red**].

Taxing/Regulating Business (big banks): Beyond understanding that no corporation truly pays taxes (they are all passed along to the customers as quickly as the markets can bare) and targeting banks may be the wrong signal to send if you want more capital to flow, the facts are grim. Corporate tax revenues dropped precipitously in 2009, not surprisingly overall federal revenues fell as well – some 16.6% during the fiscal year that ended on September 30, 2009. Leading the decline was a 54.4% plunge in corporate income-tax receipts. With the American tax system already heavily dependent upon the top 20% of filers (who pay almost an astounding 97% of the nation's income taxes) – soaking the rich and "class warfare" can get the President just so far before it becomes self defeating and injurious to the very public he is trying to endear himself to.

Green Jobs: No question that jobs are the number one concern for many Americans the latest figures for the construction industry indicate that unemployment was at an ignominious 22.7% in December '09 more than twice the overall figure of 10.0%. How much impact and how lasting the stimulus spending has been on reducing this number of construction unemployed is hard to estimate (only about \$120 billion of the total \$787 billion was actually targeted on infrastructure spending) – so, suggestions of a stimulus II jobs bill is not as well received as it was a year ago. However, the lack of a coherent energy policy that includes vigorous exploitation of fossil fuels along with alternative sources lacks credibility in terms of realistic economic growth and job creation. For example: wind turbines generally operate at only 20% efficiency compared to 85% for coal, gas, and nuclear plants. A single 1,000-megawatt nuclear plant would generate more dependable power than 2,800 1.5-megawatt wind turbines taking up 175,000 acres. With wind providing only 1% of our electricity compared to 49% for coal, 22% for natural gas, 19% for nuclear power and 7% for hydroelectric – it will take a full press that includes all sources of power over the next 20 years to even begin to approach energy independence. [The Energy Department's National Renewable Energy Laboratory new study contends that wind power could supply the eastern half of the U.S. with 20% of its electricity needs by 2024 – that will require about 300,000 new 1.5-megawatt wind turbines]. Notwithstanding the apparent Presidential support for offshore drilling, nuclear power, and clean coal plant technology (all of which received thunderous applause) – indications are that the DOE will "slow walk" these initiatives through a very lengthy regulatory process and will only pursue them in the context of a comprehensive "cap-n-trade" bill.