

How to End the Recession: The Way I See It

By Dick Storm

An open letter to President Obama, Congressman Larry Kissell, and Senators Kay Hagan and Richard Burr

In my opinion, the Obama Administration and Congress are harming businesses and industry in America. Much of what the Obama Administration and Congress are working toward are laws, taxes, rules, regulations and bureaucracies that will inflict permanent harm on businesses and industry in America. I offer these comments as my personal opinions and constructive criticism to those in Washington.

The harm to America comes in two basic paths:

1. Higher taxes for productive citizens. The greatest harm is being done, in my opinion, by creating disincentives for business and industry through taxes on the once thriving manufacturers, businesses and productive citizens of America.

“Disincentives” is a word that seems too gentle and abstract. What I really mean to say is that the policies from Washington amount to an all out assault on businesses and industry. This is exacerbated by a policy of confiscating life savings from responsible and patriotic citizens that have worked hard all of their lives. Some of these continue to work hard beyond normal retirement age so that jobs are provided for employees of the companies that they have built.

Take for example, the company that I work for. Federal, state and local taxes are our largest single cost after employee salaries. Here is a tabulation of the distribution of our gross revenues (total funds received):

Salaries	42%
Federal, State, Local Taxes	18%
Other overhead costs	18%
Benefits	9%
Job costs	13%
Profit we would find satisfactory	(5%)

Our company, like many large companies, would be pleased to have a 5% net profit before taxes. If we do produce a 5% net profit, then about 40% of that will be paid in taxes leaving a net of about 3% after taxes. So far this year, it does not appear that we will be profitable because of many factors; of which we classify into two categories “External and Internal”.

2. The “Internal” challenges of earning a profit are our managements’ responsibility and we are working on them by traditional business operations, changes in advertising, working harder, longer and smarter.

The “external” factors are out of control environmental extremism, taxes, government health care, damage to heavy industry (such as the carbon tax and other items listed below). The “External” pressures on our company and many others are created by the themes of anti-industry, anti-business, anti-mining, anti-domestic energy production in the USA, increased government costs above what we pay now and pro-union thinking and policies.

Oh yes, the administration’s clear bias toward unions further weakens America. For example, unions are what has weakened the Boeing Aircraft Company, helped kill General Motors and helped to ruin the quality of public education. Now Congress and the President want more pro-union policies such as card check, taking over General Motors, union health care costs and further union friendly actions to hurt large companies like FedEx and most small companies that are struggling now.

Here are Six Recommendations for Congress to Consider:

1. Stop the Senate from imposing a carbon tax. The Waxman-Markey Bill to restrict carbon dioxide emissions will cost a minimum of \$846 billion in the next decade alone in the form of required payments for emissions allowances according to a June 5 report from the Congressional Budget Office. The bill has been approved by the U.S. House of Representatives and is pending action in the Senate.

Energy industry scholar Ben Lieberman of The Heritage Foundation said the “tax impact for a family of four would average \$4,618 a year through year 2035, creating a total additional outlay of more than \$110,000 with no added benefit to the family’s quality of life or personal consumption.”

“Government likes cap-and-trade because it is a hidden, or indirect, tax for which industry, rather than Congress or the president, will get the blame when energy prices rise,” said Drew Thornley an adjunct scholar with the National Center for Policy Analysis. “The public gets smacked twice – one by higher food and fuel prices and a second time by having to pay for those unemployed by the bill,” said Thornley.

On the subject of the man-made global warming hoax: 31,000 scientists are participating in the Petition Project, signing a petition that states in part, “There is no convincing scientific evidence that human release of carbon dioxide, methane, or other greenhouse gases is causing or will, in the foreseeable future, cause catastrophic heating of the Earth’s atmosphere and disruption of the Earth’s climate.” For example, many states have responded to sensationalist claims about global warming by passing laws restricting carbon dioxide emissions or mandating the production of wind and solar power. Millions of U.S. citizens are feeling the economic pain of unnecessary carbon dioxide restrictions imposed by state and local government – a pain that will only be made worse by restrictions the federal government is considering as with the Waxman-Markey cap-and-trade bill.

Dr. Jeff Kueter, an economist and president of the George C. Marshall Institute, referred to the Waxman-Markey cap-and-trade bill as “a dismal down-payment on injuries more intrusive into our lives and economy than ever seen before.”

“I have seen studies that show the CO₂ in the Earth’s atmosphere in past geological ages was much higher than now, to the Earth’s flourishing,” said bioethicist Thomas Derr, a professor at Smith College. “Right now we are in a historically low point in terms of atmospheric CO₂, and it would probably be good for us if it were higher...Considering it a pollutant, subject to regulation, is simply absurd,” Derr added.

2. Abolish “new source review” for coal fueled power plants. The term “new source review” may not mean anything to you. What it means is that the EPA has restricted heavy industry and especially large electric utilities from “upgrading” and “updating” existing power plants. Many existing power plants could be upgraded with more efficient components and uprated in capacity to help keep electric power costs reasonable and pollution minimized. Called “NSR” in the industry – this is a foolish and outdated rule.

“If every misinformed, but open-minded person on this planet read Julian Simon’s book, [Hoodwinking the Nation](#), the terror wrought by environmental zealots would quickly come to an end....Simon explores how and why misleading and indeed false bad news is produced, citing the poor credibility of government reports as the frequent catalyst for environmental news scams and doomsday analysis.” Jay Lehr, PhD, science director of The Heartland Institute

3. Lift federal restrictions and aggressively promote production of domestic American energy from traditional fuels: coal, oil, natural gas and nuclear. I support all forms of energy as long as they originate from within America’s borders - coal, nuclear, oil and natural gas. Yes, renewables have a place, but it is a myth to think they will replace fossil fuels any time soon - not unless the economy is crushed with well over 15% unemployment. Did you know that over 92% of the total energy used in America to “power” our high standard of living comes from “heat engines?” That is engineer vernacular for jet engines that power airliners, gasoline and diesel engines that power automobiles and trucks, steam turbines that generate electricity from fossil fuels or nuclear energy.

Yes, they are all heat engines and they are not going to be replaced anytime soon with windmills, solar collectors or tidal power. In fact, even the most optimistic estimates for renewable power by forecasting experts only project about 14% of energy from renewable power sources by 2030.

One reason fossil fuels will be used for decades is that there are over 250 million automobiles and light trucks on America's highways and these will not be replaced any time soon! So let's save somewhere between \$300 billion and \$700 billion dollars of American dollars that are going to other countries. We will be using gasoline, diesel and jet fuel for transportation for decades into the future. So let's drill here, drill now, and use our own oil. Why cripple America because of environmental extremism?

Portions of an article from the Houston Chronicle February 20, 2009 are copied below by Joseph Mason, a professor of banking at Louisiana State University and author of a study on the economic benefits of permanently opening the Outer Continental Shelf.

Politicians aren't the only parties distracting from the potential role of OCS resources in revitalizing our economy. Some of the blame for the disconnect between offshore drilling and economic benefits rests with economists, too. Economic discussions of the topic often focus merely on the value of extracted oil or natural gas, mistakenly assuming that benefits begin only once the resources reach the surface. That, however, is just not the case. Before any American rig worker sees even a drop of fuel, industry pours huge amounts of money into the U.S. economy for exploration and development.

Once energy companies obtain leases for unexplored areas off the coast, they contract ship builders to start work on special vessels outfitted with high-tech equipment for offshore exploration. As soon as new ships are built, companies employ well-trained and well-paid technicians to staff them and take them out to sea. Then other ships manned by more seamen work to replenish the first crews with food and water. And on top of that, all these vessels employ housekeepers and cooks, receive regular maintenance from maintenance vessels and require other support.

After exploration, companies invest in specialized drilling ships to drill exploratory wells. Like the vessels before them, these ships are also replenished by seagoing grocery stores, maintenance and fuel vessels. And all this economic activity takes place before a drop of oil is pumped out of the well. Though millions of Americans are aware of the significant energy reserves that lie off the coasts of Florida and California, to name a few, not many link those resources to their own state's fiscal future. In the case of the Sunshine and Golden states, legislators in both bemoan their lack of fiscal revenues while sitting on vast untapped oil and gas reserves. (Their actions are akin to a child complaining of hunger while standing in front of an amply stocked refrigerator.)

Even fewer Americans have tried to quantify the local economic benefits that OCS exploration, development and production confer on state and local economies. To fill this void, the American Energy Alliance (AEA) recently commissioned a research paper, which estimates that significant economic effects will accrue to those economies. The study found that the impact of permanently opening previously-restricted OCS regions would be significant enough, in fact, to relieve government fiscal burdens in some of the states most affected by the subprime housing crisis.

The study uses Bureau of Economic Analysis multipliers to conservatively estimate output, job, income and tax revenue growth that can be made available by permanently lifting moratoria on offshore exploration, development, and production.

The study also separates the short- and long-run gains. In the short-run exploration and development phases (the first seven years), OCS projects will contribute "only" around \$500 billion to our GDP, create 250,000 new jobs, generate \$80 billion in federal tax and royalties, and produce \$35 billion in state and local tax revenue (all estimates in current dollars). Over the long run, production phase, OCS projects will contribute more than \$8 trillion to U.S. GDP, about 1.2 million jobs (each for a 30-year career) and some \$1.65 trillion in federal tax and royalty revenues and \$600 billion in state and local tax revenue. These substantial economic benefits - available with the simple stroke of a deregulatory pen - look even more impressive compared to Washington's \$790 billion tax-funded stimulus.

Americans stand to gain a lot, from both an energy and economic standpoint, if Congress permanently lifts the moratoria on exploration and production in the OCS. But those gains must be accompanied by a broader political discussion on natural resources, lest we continue to needlessly turn away sources of economic growth in the midst of recession.

4. Lift restrictions to build new power plants in America that use America's National Treasure of Coal. There are about 600 coal-fueled generating plants in America. The average age of these is over 35 years old. These plants have generated about 50% or more of our electricity for many decades and the pollution from them has been reduced by over 70% since 1970.

Imagine the manufacturing employment if America (not plants in Asia or Europe, but manufacturing in America!) were to build 600 new clean and efficient coal plants of similar capacity. Here is the way I see it - and by the way I started my career in the 1960's working for Babcock & Wilcox which employed over 30,000 employees solely for power generation equipment - so I have a feel for the number of jobs created from design drawings to steel production to fabrication and final construction at the plant site.

600 new plants	(for each plant about)
Manufacturing jobs - including all equipment, steel, concrete, copper and building materials	5,000
Plant site field construction jobs	1,000
Plant operations & maintenance personnel	200
Service jobs in the community (at least 3 times the number of plant jobs for retail, building, real estate, recreation, etc.)	600
Associated engineering and administrative jobs	800
Total jobs per plant	7,600

600 new coal plants (7,600 jobs each) = 4,560,000 jobs!

There are about 104 operating nuclear plants and about 35 new ones working through the permitting process. Many of the components of these will be "globally sourced" (globally sourced is code for not built in America) but still, will employ at least 2000 construction and engineering people for each plant. So here is another 70,000+ direct employment jobs! Plus – the economic prosperity that surrounds any large construction project is quite obvious to anyone who has visited a city near a new power plant under construction. We should also keep in mind that hundreds of coal fired power plants are operated in Asia each year. In Asia, more coal is burned than in the USA and they do not regulate pollution to the stringent requirements as we do in America.

5. Drill for oil and gas within our borders and off the continental shelf, including off the coast of North Carolina.

Over \$300 billion dollars of American funds damage America's balance of trade for imported oil. American transportation will need to use large amounts of oil, literally, tens of 1000's of gallons of oil per minute for decades to come.

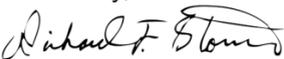
Sure we should use it efficiently and cleanly, but let's use oil from within America's borders! Alaska has thrived and funded government operations from oil and gas production royalties. Even Governor Schwarzenegger of California recently negotiated balancing the budget in California by temporarily permitting the drilling for oil off of the Santa Barbara Coast. This is one way the struggling state of California is going to recover over \$100 million dollars to help their budget short fall. North Carolina could do likewise.

6. Stop the government takeover of health care in America!

My views on why I oppose government run health care are numerous. Five reasons are listed below:

1. First – I want to keep my personal choice of my doctor.
2. No more bureaucracies! Productive citizens and businesses already subsidize those that can't pay. No one is turned away from medical care that needs it, so yes reform is needed. A total takeover by government bureaucrats is not the answer. Doctors take an oath to first "do no harm." Our politicians should take a similar oath before passing new legislation.
3. Abusive lawsuits for malpractice and the costs added to doctors for malpractice insurance and defensive medicine is not even addressed. Limiting lawsuits to a maximum of \$250,000 seems an obvious improvement. Neither lawyers nor bureaucrats do much to improve public health.
4. Taxing all businesses large and small and industry to pay for more bureaucracy that will lower the level of care and permanently damage the finest health care in the world is foolish and wrong.
5. Our company has provided company paid health care insurance for years. We have done the "right thing" and I personally like our insurance. If I understand the proposals – so far – we will lose this option and yet pay more taxes.

I implore you, our elected officials, to represent the people of your congressional districts and the state of North Carolina to do the right thing. Your constituents are basic, hard working, honorable citizens that want to be productive and responsible citizens. Will you please listen to reason and stop the madness? The founding fathers would be proud of you and the present citizens will appreciate your listening, learning and doing the right thing.

Yours truly,

 Richard F. Storm

*These comments are the writer's opinion and not necessarily the opinion of Storm Technologies, Inc.