



The way I see it...

BY PAUL KINDINGER

The Good, The Bad & The Ugly!

If you ask me, we have been on a wild spending spree for a long time and now we are seeing the consequences.

JUST like the old Clint Eastwood movie, the new stimulus package contains some good, some bad and some ugly. We can argue the merits of the overall package until the cows come home, only history will allow us to have more clarity about its intended and unintended consequences. That said, maybe I can simply offer one person's opinion for what it is worth.

The Good is increased spending for infrastructure and other construction to provide near-term employment and long-term improvements that are sorely needed. In turn, equipment sales and rentals should increase in these important segments, thus, helping many dealers in the process.

Another "Good" is the bonus depreciation measure included in the final bill. It allows a one-year extension of the rapid depreciation or bonus depreciation provisions, which had expired at the end of 2008. Once more, this provision can be a useful tool to spur equipment sales and other purchases.

Similarly, the money spent to relieve some of the pressure for states and schools to raise taxes can help keep a few more dollars in the pockets of consumers. After all, if over 70 percent of our GDP is based on consumers spending, anything we can do to put more money into their hands and encourage them to spend it will, in my opinion, help the overall economy.

The Bad begins with the "pork barrel spending" on pet projects. I admit I have not read the entire legislation, however, I have read enough to know that little pigs will be wandering around aimlessly in virtually every congressional district in the U.S. In addition, much of this money will not create any jobs or spur spending by consumers.

One might also argue the genesis of the larger problem started in the late sixties and seventies with the expansion of "easy credit." First, it was credit cards so we could dispense with "layaways" and have instant gratification. Then autos, then homes, then vacations, and the list goes on until we finally unleashed the dragon by stretching to qualify people and putting them in mortgages they could not afford if their circumstances changed.

Unfortunately, things did change and now a lot of people are paying the price for bad decisions and living beyond their means. The

so-called "stimulus package" will not fix this. In fact, if you compare the amount of wealth lost in the past 12 months, estimated at \$30 trillion by *Bloomberg.com*, to the \$1.7 trillion Congress has approved with the financial bailout and subsequently the stimulus package, you can see it is not likely to change the perspective and psychology a great deal.

The Ugly is that we are mortgaging our kids and grandkids futures. I recall in 1990 when the U.S. government passed its first trillion-dollar budget and our national debt was approximately \$3 trillion. It took from the beginning of time until 1990 to reach that level of spending and debt. By the end of 2008, the U.S. budget was over \$3 trillion and our national debt had grown to more than \$10 trillion. It only took from 1990 until 2009, to triple both the budget and the debt. Yet, Congress continues to spend beyond its means and cry wolf at every available opportunity. It's purportedly being done to save us from ourselves and we're asked to believe it has nothing to do with congressional members being reelected.

If you ask me, we have been on a wild spending spree for a long time and now we are seeing the consequences. My wife Carol was sharing with me the other evening layaways are coming back. Is this an indication that people are now pulling back to live within their means? Have we gone full circle? If this in fact is indicative of the new reality, then the shrinkage in wealth may be an indicator of how much we were living beyond our means. Consequently, the new market reality may suggest fewer new homes and autos will be sold and even with the stimulus, we may not return to previous levels of spending.

A character in a "Ziggy" cartoon published many years ago was lying on the sidewalk, holding a sign, which read, "I'm not a pessimist, but I'm not foolish enough to believe the best is yet to come." Let's hope and pray that is not the case – and that's the way I see it. ■

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