

# THE GRASSLEY- ISAKSON-COBURN- COLLINS-BAD NELSON BILL



Johnny Isakson

I explained yesterday how the people who crafted the crappy Senate compromise bill were, to a significant degree, Republicans. Republicans who won't even vote for the bill.

But I forgot to credit the guy who really put the stupid in this bill: Johnny Isakson. Isakson is the former realtor who threw a huge sop to his realtor buddies into the bill, one that does little to actually stimulate the economy (aside from realtors, who after all got us into this mess), and which costs more than promised. The amendment, a \$15,000 credit for those buying new or existing homes, will basically encourage more people to move houses—but will not necessarily incent new home building (because it applies to existing homes) nor will it encourage new buyers who would otherwise not have bought (because it's for all buyers, not just first-time buyers).

Here's Calculated Risk on how stupid this amendment is:

The sponsors and supporters of this tax credit believe this will support house prices – a mistake because this will mostly just shuffle homeowners between homes, and not reduce the excess supply.

If the incentive was for new homes only, the credit would probably help create some construction jobs. However, the job creation would be limited because of the competing oversupply of existing homes.

The tax credit for existing homes does

almost nothing to help the economy. Some might argue that this is more work for agents and home inspectors, and might help with furniture sales, but the impact will be minor. Remember existing home sales are already at a normal level compared to the stock of owner occupied units, so agents are doing fine already (just not compared to the bubble years).

[snip]

The key problem for housing is prices are too high. How does this tax credit help reduce prices? Why are we trying to artificially increase the turnover rate? And why are we targeting a tax credit at higher income individuals?

Dean Baker, more succinctly, simply calls it the House Flipping Subsidy. And oh, by the way, it costs \$30 billion more than Isakson originally claimed it would cost. The amendment is still in the "compromise bill" (the cowardly Senate voted it through on a voice vote), and Isakson is not about to vote for the final bill.

So to recap, here's how this crappy bill came about.

Back in January, Chuck Grassley got the Obama Administration to agree to move the Alternative Minimum Tax patch into stimulus, for a cost of \$69 billion. The AMT patch, because it basically goes to upper middle class taxpayers, will likely have minimal stimulative value. And it would be passed later this year, in any case. But unlike other measures that weren't really stimulus and which should be passed in normal budgeting process, this remains in the bill. Chuck Grassley is not going to vote for this stimulus bill.

During the amendment process, former realtor Johnny Isakson—along with amendment co-sponsor Sanctimonious Joe—offered up an amendment that does little else than put money in realtor's pockets, all for \$30 billion more than Isakson

and Sanctimonious Joe promised promised. Even worse, this amendment basically encourages the kind of speculative, price-inflating home sales that got us into this mess. And a bunch of cowardly Senators passed it on a voice vote. Johnny Isakson is not going to vote for this stimulus bill (though Sanctimonious Joe will).

Then, in comes Tom Coburn, one of the Senate's most reactionary members. He proposed an amendment that basically prohibits stimulus funds from being used to do anything pretty: parks, museums, highway beautification. That amendment passed with big Democratic support, and the amendment remains in the bill. Tom Coburn is not going to vote for this stimulus bill.

Finally, Susan Collins got together with the Bad Nelson to make changes that would ensure they would vote for the bill. Because Chuck Grassley—who is not going to vote for the bill—added \$69 billion for a non-stimulative tax fix that would pass later this year anyway (I don't know if Collins and Nelson have made cuts to compensate for Isakson's House Flipping Subsidy), Collins and Bad Nelson had an excuse to start cutting really stimulative funds from the bill: school building, Head Start, and funds for states to retain essential services.

And that's how we got to a bill that will create 728,143 fewer jobs than the House bill.

The Grassley-Isakson-Coburn-Collins-Bad Nelson Bill. A bill so bad that most of its authors won't even vote for it.