



# **Squandering the Stimulus:**

**An Analysis of Household Gas Spending,  
Economic Stimulus Checks,  
and the Need for Better Transportation Options**

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## Executive Summary

America's dependence on oil has become increasingly painful. Two thirds of oil in the United States goes to transportation, with the largest share consumed by cars and trucks. As the rising price of gasoline makes driving more expensive, Americans have sought alternatives by driving a little less and riding public transportation more.

Unfortunately, government policy does too little to help Americans drive less. Energy experts generally agree that the era of cheap gas is over. Scientists likewise agree that road-based global warming pollution must be reduced. But lawmakers have not taken enough steps to help Americans consume less at the pump. On the contrary, overall government policies continue to encourage more driving at the expense of alternatives, leaving Americans poorer, stuck in worsening traffic, and emitting dangerous levels of global-warming pollution.

Nothing illustrates how the lack of transportation options hurts consumers and our economy more than the fact that, since approval of the tax rebates in February, Americans on average have already spent the amount of their stimulus checks at the pump. The standard stimulus rebate check for American families with a joint filing couple and a child is \$1,500. As of this week, the average family household will have already spent over \$1,500 at the gas pump since February 13<sup>th</sup> when President Bush signed the tax rebate checks into law.

The situation is akin to families signing over their rebate checks to big oil companies like Exxon Mobil or sending them to oil-producing countries like Saudi Arabia.

We can reduce our crippling dependence on oil through long-term solutions that will make it easier for Americans to drive less. Modern buses, light rail, commuter rail and other forms of transit more efficiently move passengers with less fuel. Transit also reduces traffic congestion and encourages more compact development patterns which, in turn, further reduce the amount Americans must drive.

Existing public transportation already reduces America's oil dependence. Analysis by U.S. PIRG shows that net oil savings from public transportation totaled 3.4 *billion* gallons in 2006, the last year for which full data on transit agency and ridership is currently available. These oil savings are enough to fuel 5.8 million cars for an entire year and to save about \$13.6 billion in gasoline at today's prices.

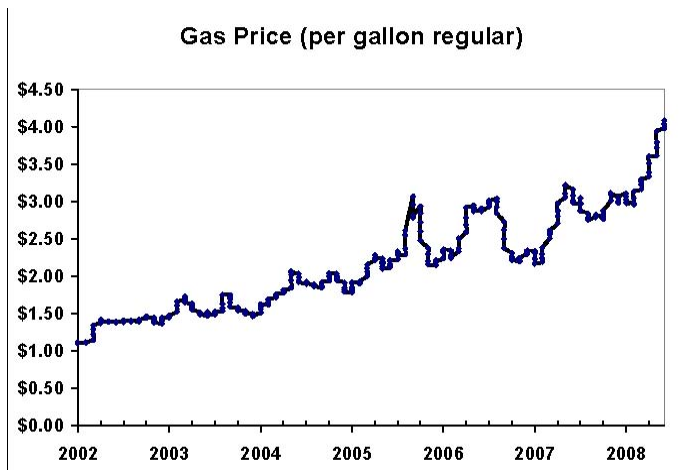
Comparing spending on transportation in neighborhoods with different access to rail and bus routes underscores the gas-saving benefits of public transit, according to newly released analysis by the Center for Neighborhood Technology (CNT) as part of a Brookings Institution project. Based on analysis of 2000 Census data in 52 metro areas, neighborhoods with the best access to transit routes spent an average of \$728 monthly on all transportation costs, including gas, insurance, upkeep, and transit fares. Households in communities with the least access to transit, by contrast, spent an average of \$925 per month.

Public transit solutions can do far more. At present, underfunded transit agencies are struggling to keep up with the record volume of riders. Despite the success of new rail lines and bus routes around the country, a long line of new transit projects remains stuck on the drawing board due to lack of funding. Federal, state, and local governments must invest in solutions to oil dependence through more and better public transportation.

## The Rising Costs of Driving

Even before the recent rise in gas prices, driving was becoming increasingly costly for American households. Most directly, Americans pay rising prices at the pump for what President Bush has called our “addiction to oil.” Traffic congestion also worsens each year, imposing growing costs in the form of lost time, fuel and productivity. The transportation sector also represents the largest and fastest source of dangerous global-warming pollution.<sup>1</sup>

For consumers, vehicle and other related expenses already accounted for 17 percent of household expenditures in 2005.<sup>2</sup> This is more than was spent on health care, and more than spent on food and clothing combined.<sup>3</sup> Vehicle-related expenses for residents in more automobile-dependent metro areas reached as much as 25 percent of their incomes, although residents in areas with robust transit networks spent approximately 10 percent of their income.<sup>4</sup>



Consumers in the first half of 2008 have seen acceleration in the long-term trend toward higher prices at the pump. Retail prices at the pump now average over \$4 per gallon nationally, compared to less than \$1.15 per gallon at the end of 2001.<sup>5</sup> An average household spent a little over \$60 weekly on gas this February, but currently spends over \$90 each week. Households using premium gas or those using mid-grade in the many states where gasoline must be reformulated to meet EPA standards already spend about \$100 per week on gas.<sup>6</sup> \$4

These prices are the result of long-term trends in which world demand for oil outstrips limited supply. The price of oil on world markets has increased six-fold over the past six years.<sup>7</sup> Goldman Sachs predicts that by 2011 oil may reach \$200 per barrel with prices topping \$6 per gallon at the pump.