

Stimulus Components Vary in Speed and Efficiency

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At first, it will trickle into paychecks in small, barely perceptible amounts: perhaps \$12 or \$13 a week for many American workers, in the form of lower tax withholding.

For the growing ranks of the unemployed, it will be more noticeable: benefit checks due to stop will keep coming, along with an extra \$25 a week.

At the grocery store, a family of four on food stamps could find up to \$79 more a month on their government-issued debit card.

And far bigger sums will appear, courtesy of Washington, on budget ledgers in state capitals nationwide: billions of dollars for health care, schools and public works.

There is no doubt that the impact of the \$819 billion economic stimulus package advanced by President Obama and approved by the House on Wednesday will start to be felt within weeks once the final version becomes law.

But estimating how effective the huge program of tax cuts and spending will be in getting America's economic engines humming again is a far more complex calculation requiring almost line-by-line scrutiny of the 647-page bill, lawmakers, economists and policy analysts say.

While it may be difficult to predict how well the overall plan will work, it is easier to draw conclusions about its individual components, gauging them against the basic goal of any stimulus: to promote economic activity and create jobs as quickly and efficiently as possible.

Devising any economic stimulus plan is tricky: initiatives that can be carried out relatively fast, like tax cuts, tend to provide less bang for the buck in terms of generating jobs and economic growth, while initiatives likely to spur more robust activity, like public works projects, can take so long to get under way that they arrive too late.

Tax Cuts

The provisions intended to have the swiftest impact are the tax cuts, totaling \$275 billion, roughly a third of the package.

Republicans say the cuts are too small, some Democrats say they were ill designed in a vain effort to appease House Republicans, and some economists say both sides are right: that the plan should include more effective tax cuts and more of them, and also address specific problems like the weak housing market.

Mr. Obama's signature tax cut would provide a credit of up to \$500 for individuals and \$1,000 for couples. It won praise in an analysis by the Tax Policy Center, a nonpartisan research group, because it could be carried out quickly, by reducing the amount of money withheld from paychecks.

But the same group also criticized it because it would help families earning as much as \$150,000 a year, who are more likely to save than spend. (Saving, or paying off debt, might make sense for individual households, but what the economy needs most is for people to spend money, helping stores to sell more, factories to produce more and employers to avoid cutting additional jobs.)

Some experts say adjusting withholding rates could prove complicated, delaying the money. But the White House says the plan would work even better than a lump-sum rebate; some

research suggests that rebate checks are more likely to be saved than tax reductions spread out over a length of time.

Even some economists who generally support the stimulus think that the main tax proposal would provide limited economic lift.

"People are going to spend 30, 40 cents on the dollar, so the multiplier is going to be low," said Adam S. Posen, deputy director of the Peterson Institute of International Economics.

Aid to States

One area where analysts say the bill would be relatively effective is in providing assistance to states, many of which, to comply with balanced-budget requirements, are facing the prospect of steep cuts in jobs and services. Aid to states does not expand economic activity, but it helps prevent cuts that would make the downturn even worse.

An \$87 billion provision increasing the federal contribution for Medicaid costs is expected to go a long way to help states close their budget gaps.

But there has been little discussion so far on a proposal by the Senate Republican leader, Mitch McConnell of Kentucky, that aid to states be provided in the form of loans, encouraging them to spend the money wisely and, once the economy rebounds, obligating them to help reduce the national debt.

The bill would also create a \$79 billion state fiscal stabilization fund, disbursing half the money in late 2009 and half in late 2010. The Congressional Budget Office has estimated that little of that money would be spent this year.

Infrastructure

The greatest prospect of delay in spending is on infrastructure. The bill provides \$30 billion for highway construction and tens of billions more for other transportation projects, water projects, park renovation, military construction, local housing projects and more.

A Congressional Budget Office analysis found that only 64 percent of the bill's spending would be completed within 19 months, and spending on construction projects was among the slowest.

If the economic recovery is slow, that timing could work out perfectly, giving the economy a jolt just when faster-acting components are wearing off. But if there is a quicker-than-expected rebound, many of those projects could start just in time to compete with renewed private spending.

Then there is the risk that the projects themselves have little or no long-term economic value and simply drive up the budget deficit. Democrats bowed to Republican pressure on Tuesday and stripped from the bill a \$200 million provision for National Mall restorations.

Education, Health Care

And Alternative Energy

A look at more than \$140 billion in the bill's spending on education finds some that can move quickly — for instance, \$13 billion each over two years for Title I schools, which serve impoverished students, and for special education under the Individuals With Disabilities Education Act.

But also included are programs that even under the most optimistic timetable will take longer to complete, like \$20 billion for school renovations. These would provide little near-term help for the economy.

Similar scrutiny could be trained on health care and especially on alternative energy programs. Like some of the education spending, a large chunk of health care spending would not start until 2012 or later, when, most experts think, the recession will be over.

Automatic Stabilizers

Unemployment benefits and food stamps are such useful stimulus tools that budget analysts refer to them as "automatic stabilizers."

They are built into the system, allowing money to flow quickly to people who need it and are likely to spend it.

The House bill would spend \$20 billion over five years on added food stamps. If the recovery legislation is adopted by mid-February, officials say, the first added food stamps will be delivered in April and nearly all of that aid used that month.

The legislation would also devote roughly \$43 billion over two years to extend and increase unemployment benefits. The provision would add as much as 33 weeks of benefits, for states with the highest unemployment rates.

New York Times, 29 jan. 2009, Politics, online. Disponível em <www.nytimes.com>. Acesso em: 2 fev. 2009.

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