

# Budget CONNECTION\$

A Connecticut Voices for Children  
Research Brief

December 2001

## ECONOMIC STIMULUS: Principles for a Sound Stimulus Package and An Analysis of Current Proposals

**Matthew Rowland, MS**  
**Program Associate**

**December 2001**

**CT VOICES FOR CHILDREN**

33 WHITNEY AVE.  
NEW HAVEN, CT 06510  
203.498.4240 (VOICE)  
203.498.4242 (FAX)

<http://www.ctkidslink.org/>

# Executive Summary

The U.S. economy has entered an economic downturn, which the National Bureau of Economic Research recently labeled a recession. An economy that was already weakening began an even faster decline after the events of September 11. As consumer confidence dropped, so did the household consumption that was preventing a full-blown recession. In this economic situation, many experts and politicians have called for a federal economic stimulus package to provide aid to those Americans most harmed by the current downturn and help the economy into a faster recovery than would be otherwise expected. Yet different groups have advocated radically different plans for economic stimulus. How can the Congress decide which is the most appropriate?

Economists and policy researchers have explored the issue of economic stimulus in depth. A survey of the literature yields three key principles to which an economic stimulus package should adhere. These principles are that a stimulus package should be **effective**, **efficient**, and **fair**.

To be **effective**, a stimulus package should:

- Have a rapid impact
- Be of adequate size
- Be temporary.

To be **efficient**, a stimulus package must:

- Be well-targeted
- Maintain long-term fiscal discipline.

Finally, to be **fair**, a stimulus package should distribute benefits to those Americans most in need.

Three primary proposals have emerged at the Capitol to address the issue of economic stimulus. The House of Representatives passed its version of a stimulus package in October, while the Senate is currently debating a bill drafted by the Finance Committee. The Bush Administration has also proposed its own version of a stimulus package.

The House proposal consists mainly of tax cuts, costing about \$160 billion over the next ten years. Its main points include:

- A tax rebate for low-income workers
- Acceleration of tax cuts for upper-income taxpayers
- Repeal of the corporate Alternative Minimum Tax (AMT)
- Other tax breaks for businesses.

The Bush Administration proposal is similar to the House bill, although it is even more aggressive in tax cuts for upper-income Americans, including:

- Accelerations of the 28%, 31% and 36% income tax rate reductions
- Repeal of the corporate AMT
- \$5 billion for extensions of Unemployment Insurance (UI) benefits.

The Senate proposal places more of an emphasis on spending, especially as targeted to low- and middle-income workers. Its measures include:

- A tax rebate for low-income workers
- A temporary expansion of UI benefits and eligibility
- Provision of health coverage to displaced workers
- Revenue-sharing with state governments through increases in federal matching rates for Medicaid.

An analysis of these proposals using the guidelines laid out above helps to determine what the most appropriate approach to economic stimulus should be. Although none of the proposals is perfect, the Democratic package comes closest to meeting the principles for sound economic stimulus.



# Economic Stimulus

Even before the tragic events of September 11, the U.S. economy had entered a period of slowing growth and increasing layoffs and unemployment. In the past weeks, there has only been an intensification of these trends, as well as new hardships in sectors particularly affected by the terrorist attacks, such as travel and insurance.<sup>1</sup> For the first time in more than eight years, the economy has contracted, having shrunk by 0.4% in the last quarter. The National Bureau of Economic Research announced on November 26<sup>th</sup> that the economy had actually entered a recession as early as March 2001.<sup>2</sup> Without government intervention, this recession could be of an unknown length and depth.<sup>3</sup>

Accordingly, many from either side of the aisle in both the House and Senate, as well as the leadership in the White House, have called for a package of government spending and tax cuts to stimulate the national economy and aid Americans in our time of need. The Administration recently asked the Congress to approve a package before November 30.<sup>4</sup> Yet there is some dispute about how to best stimulate the economy, what mix of spending and tax cuts is necessary, or even where the stimulus should be targeted. Members of Congress, economists and representatives of the Administration have called for different approaches to aiding the U.S. economy. This paper will discuss the general principles by which an economic stimulus should be judged, and then evaluate several representative proposals accordingly.

## I. Principles of a Sound Stimulus Package

Although the U.S. economy risks entering a recession, most economists still believe that the fundamental economic indicators are still strong.<sup>5</sup> Economic analysis shows that the current economic slowdown is mainly a result not of undersupply, but rather of reduced consumer spending.<sup>6</sup> The goal of government, then, should be to make the current downturn as short and shallow as possible.<sup>7</sup> There is widespread agreement that this can best be accomplished by a federal economic stimulus package that consists of both government spending and tax cuts or incentives. Many economists and policy analysts have pointed out, however, that a poorly structured stimulus could be worse than no stimulus at all.<sup>8</sup> Therefore it is essential that any stimulus package be formulated to have great near-term stimulative effect, while creating no long-term fiscal difficulty.

[B]usinesses have already overinvested, so investment incentives [will] be wasted. The key to recovery is spurring consumer demand.  
- Robert Rubin, former Secretary of the Treasury

Several timely and knowledgeable sources were consulted to inform this discussion. The first of these is a brief set of principles produced by the bipartisan leadership of the House and Senate Budget

<sup>1</sup> Scott, Robert E. and Christian E. Weller. "Addressing the Nation's Needs: A Plan for Emergency Relief and Economic Stimulus." *Economic Policy Institute*, September 2001.

<http://www.epinet.org/briefingpapers/emergencystimulus/emergencystimulus.pdf>

<sup>2</sup> Business Cycle Dating Committee. "The Business-Cycle Peak of March 2001." *The National Bureau of Economic Research*, November 26, 2001. <http://cycles-www.nber.org/cycles/november2001/recessions.pdf>

<sup>3</sup> Leonhardt, David. "After 8 Years, U.S. Economy Finally Falts." *The New York Times*, November 1, 2001.

<http://www.nytimes.com/2001/11/01/business/01ECON.html?searchpv=past7days>

<sup>4</sup> Stevenson, Richard W. "Bush Sets Nov. 30 Deadline for Economic Stimulus Plan." *The New York Times*, November 1, 2001.

<http://www.nytimes.com/2001/11/01/politics/01BUSH.html?searchpv=past7days>

<sup>5</sup> Hubbard, R. Glenn. "America's Economy Will Rebound from Attacks." *The Wall Street Journal*, September 17, 2001.

<sup>6</sup> Carstensen, Fred V. "Testimony on Proposed Connecticut State Spending Cuts: Before the Human Services Committee, CT General Assembly." Connecticut Center for Economic Analysis, UCONN, November 7, 2001.

<sup>7</sup> Stiglitz, Joseph. "Statement of Joseph Stiglitz: Co-Winner of 2001 Nobel Prize in Economics at CBPP Press Conference." *CBPP*, October 12, 2001. <http://www.cbpp.org/10-26-01bud.pdf>

<sup>8</sup> Greenstein, Robert. "Observations on a Stimulus Package", *CBPP*, Oct 4, 2001. <http://www.cbpp.org/10-4-01bud2.htm>  
Washington Post, The. "A Decent Stimulus Bill, or None." *The Washington Post*, November 9, 2001.



Committees, a group with intimate knowledge of both the problems facing our economy and the government's ability to address them.<sup>9</sup> The second is a short critique written by Robert Greenstein, Executive Director of the nonpartisan Center on Budget and Policy Priorities (CBPP),<sup>10</sup> while the third is a statement by Nobel Prize-winning economist Joseph Stiglitz on the issue of economic stimulus.<sup>11</sup> These sources together define the following principles that a sound economic stimulus package must observe:

An economic stimulus package should stimulate the economy effectively and efficiently. To be effective, a stimulus package should:

- Have a rapid impact, before recovery would otherwise begin;
- Be of adequate size, at least 1% of the GDP (or about \$100 billion);
- Be temporary, to encourage companies and individuals to take advantage of its provisions and spend in the short-term.

Similarly, to be **efficient**, stimulus must:

- Be well-targeted, extracting the most “bang-for-the-buck” per dollar spent;
- Maintain long-term fiscal discipline to avoid pushing up long-term interest rates, thereby dampening stimulative impact.<sup>12</sup>

Finally, the spirit of September 11 should not be forgotten. Any stimulus package should be **fair**, evenly distributing benefits to all groups, and especially providing for those most harmed by the tragic attack on America.

## A. A Stimulus Package Should Be Effective

### 1. Rapid Impact

The purpose of economic stimulus is to aid the economy in times of economic recession, so any effective stimulus package must begin to have its impact rapidly, while the economy is still in a downturn. The U.S. Congress Joint Economic Committee has noted that many past efforts at economic stimulus arrived too late to have any real effect on the economy.<sup>13</sup> Lack of rapid impact not only fails to help Americans suffering as a result of the economic downturn, but could also create inflationary pressure as economic recovery begins.<sup>14</sup> In the worst case it may exacerbate economic problems, leading to a longer and/or deeper recession than otherwise likely.

If we're going to limit the severity of a recession, we need to quickly nip [this downturn] in the bud. - Alan S. Blinder, former Vice Chairman of the Federal Reserve

<sup>9</sup> U.S. House and Senate Budget Committees. “Revised Budgetary Outlook and Principles for Economic Stimulus.” Press Release, October 4, 2001. [http://www.senate.gov/~budget/democratic/press/2001/rev\\_bdgoutlook100401.pdf](http://www.senate.gov/~budget/democratic/press/2001/rev_bdgoutlook100401.pdf)

<sup>10</sup> Greenstein, Robert. *ibid.*

<sup>11</sup> Stiglitz, Joseph. *ibid.*

<sup>12</sup> Significant revenue decreases will worsen the nation's deteriorating medium- and long-term budget outlook. Because of the long-term costs of tax cuts, they could exert upward pressure on long-term interest rates, which are sensitive to long-term fiscal risks. Federal Reserve Chairman Alan Greenspan and former Treasury Secretary Robert Rubin have emphasized that long-term rates have failed to decrease in response to the Fed's reduction of short-term rates because of market nervousness over the government's long-term fiscal position. They have also urged that any stimulus package not worsen this outlook and thereby risk pushing long-term rates higher. Increased long-term rates would have a dampening effect on economic activity now and thus would undercut some of the stimulative effect that a stimulus package otherwise might have. See Greenstein, Robert. “The Administration's Stimulus Proposal: Is it a Sound and Balanced Package?” *CBPP*, Oct 9, 2001. <http://www.cbpp.org/10-5-01bud.htm>, p.1.

<sup>13</sup> Joint Economic Committee: Democratic Staff. “Economic Stimulus: Principles and Options.” *107<sup>th</sup> U.S. Congress*, October 17, 2001. <http://jec.senate.gov/Documents/106th/Reports/econstiml.pdf>

<sup>14</sup> Injecting money into an already growing economy could put it into overdrive, leading to inflationary growth.



## 2. Adequate Size

To have a significant effect on the giant U.S. economy, economists including Federal Reserve Board Chairman Alan Greenspan and former Treasury Secretary Robert Rubin have estimated that any stimulus package must total at least 1% of the GDP, or about \$100 billion.<sup>15</sup> This number should include the impacts of already enacted tax cuts or spending programs from earlier in the fiscal year (about \$30-40 billion). While it is important that a stimulus package be large enough, it is also dangerous to inject too much money into the economy, especially over a longer period of time, as this could overstimulate the economy and lead to inflationary pressures.

## 3. Temporary

There are compelling reasons to avoid including permanent or longer-duration provisions as part of an economic stimulus package. Examples of such provisions include proposed repeal of the Corporate Alternative Minimum Tax, acceleration of already-approved tax cuts, or permanent rate reductions in the capital gains and corporate income tax. All of these items are ill suited to economic stimulus because they fail to incent significant spending in the short-term. In the current atmosphere of economic uncertainty, companies and individuals alike will hold off from making significant new investments as a result of this type of provision, because there is no penalty to waiting. If such measures were set to expire after a year, on the other hand, uncertainty might be offset by the benefits of taking advantage of such time-limited cuts. Only money spent in the next 2-3 quarters will help to raise the economy out of recession; most economists expect recovery to begin by the end of 2002.<sup>16</sup> Additionally, enacting long-term appropriations or tax cuts makes it more difficult for the Congress to respond to further changes in the economic or political situation, possibly leading to either inflationary pressure as the economy recovers, or a rise in long-term interest rates if the federal budgetary outlook worsens.

## B. A Stimulus Package Should Be Efficient

### 1. Well-Targeted

To have the greatest stimulative impact with the fewest federal dollars spent, an economic

The economic fallout from terrorism is hitting some Americans harder than others, and we need to respond. [S]ince the terrorist attack, consumers have cut their spending, and now a different group is experiencing the heaviest job losses: the mostly low-paid workers in America's vast personal-service sector. - Robert Reich, former Secretary of Labor

stimulus package must be well-targeted to those industries and individuals that will create the most short-term economic activity. The best way to do this is to give money to those groups most likely to spend it immediately. Many economists have identified low- and moderate-income households as those most likely to spend any additional dollars received as part of a stimulus package, because they have more immediate needs and less ability to supplement income from savings or investments. Focusing on these groups has the additional bonus of providing aid to those most likely to be adversely affected by an economic downturn.

### 2. Maintain Fiscal Discipline

The federal budget outlook has a significant impact on long-term interest rates, and can therefore severely affect the impact of any economic stimulus package. Therefore it is necessary to consider fiscal

<sup>15</sup> Greenstein, Robert. *ibid.*

<sup>16</sup> Carstensen, Fred V. *ibid.*



discipline while contemplating any stimulus measures. Current estimates by the House and Senate Budget Committees have already shown a shrinking budget surplus, and current events along with near-term future spending could easily create a deficit.<sup>17</sup> While it is most likely necessary to run a deficit until the economy has begun to recover, moves that would serve to create longer-term deficits would have a negative impact on short-term stimulative policies by increasing interest rates. Additionally, reducing the level of public saving can restrict the ability of the government to fund future investment in the economy. Finally, it is important to remember that the “baby-boom” generation will be retiring in the not-so-distant future, creating large new demands on the federal budget (e.g. Social Security and Medicare).

### C. It Should Be Fair

One of the characteristics that has set America apart as a nation is our great prosperity, but even today there are those who do not share in the nation’s increasing wealth. At the end of one of the longest economic expansions in our history, there are still many Americans with little savings and no “safety net” of friends or family on whom to rely. The gap between our richest and our poorest families has continued to widen, with a large percentage of the population actually losing real income during the recent economic expansion.<sup>18</sup> It is the responsibility of government to look out for the interests of these disadvantaged Americans in their time of need. The economic downturn we are now experiencing will only worsen the situation of these “left-behind” Americans, and increasing numbers of individuals and families will turn to the government for aid and support.

The September 11 attack has brought Americans together, probably more than ever before. There is an emotional feeling, I think, that all of us have.... In that context, the benefits from a tax cut or a stimulus package ought to be evenly distributed. It is not fair if a lot of the tax benefits go to a few rich people.  
- Joseph Stiglitz, Nobel Laureate in Economics, 2001

The economic challenges we now face as a nation have only been exacerbated by the events of September 11. As America has embarked on a global campaign to fight terrorism, tens of thousands have lost their jobs here at home. Consumers have reduced their spending, and businesses are cutting back as well. On the other hand, the terrorist attacks have brought America together as a nation, reminding us that individuals are not always in control of the course of their lives. It is only fair that the government, when deciding on how to spend public money on economic stimulus, should offer support and hope to those most adversely affected by the current economic situation.

## II. Possible Provisions of a Sound Stimulus Package

Any stimulus package will likely include a range of initiatives, consisting of both spending increases and tax cuts. Both types of measures can have powerful stimulative effects, although their usefulness depends on the underlying causes of economic trouble. It is helpful to consider the principles outlined above when deciding what mix of the two types of proposals is appropriate to include in an economic stimulus package.

### A. Spending Proposals

An important goal of any stimulus package is to increase consumer spending, and one effective way to do this is a direct increase in consumer income. Spending proposals, therefore, are key components of a successful stimulus package, because they can be quickly implemented, easily targeted,

<sup>17</sup> U.S. House and Senate Budget Committees, 107<sup>th</sup> Congress. *ibid*.

<sup>18</sup> Larin, Kathryn and Elizabeth McNichol. “Pulling Apart: A State-by-State Analysis of Income Trends.” *CBPP*, December 16, 1997. <http://www.cbpp.org/pa-1.htm>



and constructed to end as economic recovery begins.<sup>19</sup> Additionally, these proposals can be targeted to provide aid directly to those Americans in the greatest need.

Stimulative spending can be implemented in several ways. First, the federal government can give

State and local governments are in no position to step in. They're already strapped by rapidly declining revenues. Rather than beefing up social services, they're starting to cut them. - Robert Reich

funds to the states through some sort of revenue-sharing program for use in local economies. Second, additional money can be allocated to existing programs that increase income or reduce expenses, such as Unemployment Insurance or Medicaid. Finally, money can be appropriated for public works projects that will provide employment (and thus income) to displaced American workers. Examples of such projects include: upgrading our rail infrastructure, increasing airport security, and rebuilding our schools. Some combination of all three types of spending is likely to be needed during the current downturn.

### 1. Revenue-sharing with state governments

Most states have statutory or constitutional requirements for a balanced budget, preventing them from engaging in the kind of counter-cyclical deficit spending often required by economic downturns.<sup>20</sup> Not only can this require states to increase taxes and reduce spending at the worst times, by extension it lessens their ability to care for those citizens suffering from the downturn.<sup>21</sup> Almost all of our safety net programs are administered and partially funded at the state level. State and local government are also major employers, and budget cutbacks could lead to increased unemployment. Federal relief to state governments can help to avoid cuts in social services programs, which are more important now than ever, as well as ensure that fiscal action by the states will not offset stimulative action by the federal government.

There are two simple approaches the federal government can take to increase funding to states:

- Allocate additional money to existing state programs funded in part with federal dollars – this will have the effect of freeing up budget dollars for states, helping them to avoid the need to cut expenditures or raise taxes;<sup>22</sup>
- Institute an explicit revenue-sharing program – helping states to maintain current expenditure levels and to inject money into their local economies.<sup>23</sup>

State tax revenues fell by 3.5% -- \$5 billion -- in the third quarter, the first time these revenues have fallen rather than risen in the 10 years that we have collected data - Donald Boyd, Center for the Study of the States

Both of these approaches allow for flexibility in providing aid to citizens in need, as well as giving stimulus to the economy.

<sup>19</sup> Joint Economic Committee: Democratic Staff. "Economic Stimulus: Principles and Options." *ibid*.

<sup>20</sup> Stiglitz, Joseph. *ibid*.

<sup>21</sup> Although increased state taxes can offset stimulative spending by the federal government, reports have shown that tax increases on upper-income taxpayers are *less* harmful than cuts in spending on programs for low-income families or direct government spending for goods and services. See Lav, Iris J. "State Fiscal Problems Could Weaken Federal Stimulus Efforts: Low Income Households Likely to be Hardest Hit by State Fiscal Actions." *CBPP*, Oct. 4, 2001. <http://www.cbpp.org/10-4-01sfp.htm>  
Orszag, Peter and Joseph Stiglitz. "Spending Cuts vs. Tax Increases at the State Level: Is One More Counter-productive Than the Other During a Recession?" *CBPP*, October 31, 2001. <http://www.cbpp.org/10-30-01sfp.pdf>

<sup>22</sup> Any grant to states should be tied to requirements that they increase eligibility or benefit levels for funded programs, rather than saving the money or refunding it to employers and other taxpayers. Otherwise states will likely save the money until the economic outlook is clearer, or even spend it in different ways or use it to reduce taxes in the state (e.g. the UI tax on employers). See Friedman, Joel and Robert Greenstein. "Ways and Means Package Departs from Bipartisan Principles for Effective Stimulus and Offers Little Help to the Unemployed." *CBPP*, October 17, 2001. <http://www.cbpp.org/10-17-01tax.pdf>

<sup>23</sup> This would also allow states more discretion in spending, helping to target different needs in different regions of the country by giving flexibility to state legislatures.



There are several proposals currently being discussed to implement revenue-sharing. One of the most popular is to increase the federal Medicaid matching rate for all states, and perhaps to provide for additional increases in those states hardest hit by the economic downturn. Other possibilities include providing additional federal funds to the Social Services Block Grant or injecting money into state Unemployment Insurance accounts.<sup>24</sup>

## 2. Spending on existing programs

Allocating additional funding to existing programs is one of the most powerful tools available for economic stimulus; such funding has an effect almost immediately, through existing channels, and can be targeted to groups most likely to spend additional dollars. Additionally, it will be relatively easy to reduce spending as the economy recovers, since Congress can simply reduce appropriations, as opposed to having to enact tax increases or eliminate exemptions. One last advantage of these types of programs is that many are already keyed to be counter-cyclical. For example Unemployment Insurance increases spending during economic downturns, then diminishes automatically as recovery begins.

It is also clear that the resources of many federally-funded programs, such as Medicaid and Food Stamps, will be stretched as more Americans lose their jobs and turn to the so-called “safety net” of human services programs. Other programs, such as Unemployment Insurance (UI), are funded in large part by the states, and will also be overwhelmed and in need of federal support. Because these programs provide aid to those Americans most in need, investment in these programs will quickly increase consumer consumption, as the recipients must spend the benefits to support themselves and their families.

[O]ur “safety net” is worse than that of most other industrialized countries... For eight years, the most important part of our safety net has been full employment: people who were let go could get another job... That is not going to be the case for the next six months to a year and a half. That part of our safety net has gone, and we need to put into place an alternative one. - Joseph Stiglitz

One obvious stimulus measure is the expansion of UI benefits under a federally financed program that would expire in some defined period (e.g. 12 months). This expansion could include not only additional weeks of benefits for unemployed workers, but also higher benefit levels and an increase in the number of workers eligible for benefits in the first place.<sup>25</sup> Benefit levels could be increased either by raising the minimum benefit, increasing the percentage of lost wages replaced, or providing a supplemental amount of money to all benefits, e.g. \$25 per week. The eligibility of laid-off workers could be broadened by using most recent earnings numbers when determining eligibility (alternative base period), and also by ensuring that part-time workers who have been laid off are eligible for partial benefits. Additionally, unemployed workers could be allowed to claim part-time benefits for working part-time and undergoing job-training or other education part-time.

Another important concern for Americans in need is health insurance, which has become increasingly expensive over the past 15 years. Proposals to ameliorate this problem include a federal subsidy for individuals eligible for COBRA and increased federal matching of state dollars spent on Medicaid, a program likely to see increased enrollment as the economic downturn continues. A further option would be to extend the number of citizens eligible for Medicaid by creating a temporary new class of coverage for those who currently qualify for neither COBRA nor Medicaid. These proposals would have

<sup>24</sup> These possibilities have been classified as ways to transfer funds to state governments, rather than increased spending, because that is how their proponents view them.

<sup>25</sup> Currently, only about 40% of unemployed workers are eligible for UI. Many of those that are eligible receive benefits below the poverty level – average state UI weekly benefits range from \$157 a week in Mississippi to \$299 in Massachusetts. Connecticut had an average weekly benefit of \$273 in Q2 2001. See U.S. Department of Labor. “Benefits and Duration Information: by State for CYQ: 2001.2.” *U.S. DOL*, Q2 2001.

[http://workforcesecurity.doleta.gov/unemploy/content/data\\_stats/datasum01/2ndqtr/sum.htm](http://workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum01/2ndqtr/sum.htm) - bendur



the additional benefit of relieving state governments from some of the burden of funding healthcare, reducing their need to cut support for social services spending.

Other areas where federal money could have a strong stimulative effect include the Food Stamps program, federal housing subsidies, and childcare subsidies. Food Stamps represent an ideal stimulus vehicle because they are quickly “spent” and impossible to “save”. Housing subsidies will help families with unemployed heads-of-household from becoming homeless during the economic downturn. Keeping families housed is likely to save money in the long run, as it will be easier for them to meet their basic needs and find and maintain employment. In the same way, childcare subsidies allow parents to keep the jobs they have, and give them a greater ability to find new jobs if unemployed. Additionally, childcare providers are usually in the same group of low-income Americans as subsidy recipients, and increased subsidies will inject money into that industry.

### 3. Spending on public investment

Direct government investment in public works and education can benefit the economy in at least three ways:

- It represents a direct infusion of cash into the economy, providing needed jobs as well as economic stimulus;
- It strengthens productive capacity, leaving the economy poised for a return to expansion when recovery begins;
- It can be targeted to meet other policy needs, such as strengthening homeland security, renovating inner city schools, or wiring low-income communities to address the digital divide.

Public spending... has a great macroeconomic advantage over tax cuts. - James K. Galbraith, University of Texas

Programs emphasizing public investment should focus on areas where there is a consensus on how best to spend the money (so it can be done quickly), and where there is a high expected rate of return (to maximize the effect of such spending).

Specific initiatives that might be appropriate for the current stimulus package include investments in the national rail system, the public provision of airport security services, expanded school construction, and low-income housing. In addition to building more schools, federal funding for job training and other education needs for unemployed or underemployed workers would help to raise the skill level and productivity of the workforce.

By meeting the needs of a short-term stimulus package, as well as meeting other longer-term policy goals, these proposals can serve two purposes at once, not only increasing the efficiency of government spending, but increasing its political desirability.

## B. Tax Proposals

Tax cuts or credits that have been proposed as part of an economic stimulus package fall mainly into two categories, personal and corporate.<sup>26</sup> Each category of tax cut can also differ by length, e.g., temporary or permanent, and by target. While personal tax cuts seek to stimulate demand, corporate tax cuts seek to stimulate supply. Thus the two approaches reflect a different perspective on how best to stimulate the economy. As noted earlier, the current economic downturn is mainly due to a lack of demand. Therefore, a tax proposal’s stimulative efficacy can best be judged by its likely effect on short-term consumption.<sup>27</sup>

<sup>26</sup> Tax cuts can have a powerful stimulative effect when used in combination with other programs, because they are relatively quick and easy ways to inject money into the economy. The failure to collect revenue, or a simple rebate of already collected tax, creates little administrative expense and don’t require the ramping up of large bureaucracies to support them.

<sup>27</sup> Carstensen, Fred V. *ibid.*



## 1. Individual tax cuts

Individual tax cuts can occur by direct tax rebates; reductions of rate; and increased deductions, credits, or exemptions. The key factor in determining whether a cut in personal tax will have stimulative effects is whether that cut will encourage an increase in short-term consumption. Defining the problem this way avoids issues about what type of tax to cut, and instead shifts the discussion to which groups to target for cuts.

Analyses by the National Bureau of Economic Research show that wealthier families are more likely to save an extra dollar than spend it.<sup>28</sup> Therefore, tax cuts focused on middle- or lower- income families are more likely to infuse money immediately into the economy. Examples of such desirable tax cuts would be to refund some percentage of the payroll taxes or to issue income tax rebates to those taxpayers who did not receive them under the tax reform acts passed earlier this year.<sup>29</sup>

Tax cuts do not make a lot of sense, either as tax policy or as short-run stimulus. They are doubly damned. – Paul A. Volcker, former chairman, Federal Reserve

Other proposals that have been suggested fail to meet this focus on low- and moderate- income Americans, such as reductions in the capital gains tax rate, or acceleration of the tax rate reductions scheduled for 2004 and 2006. In addition to not being effectively stimulative, these tax cuts have high continuing costs, creating future fiscal difficulty.<sup>30</sup> Furthermore, a capital gains tax cut could lead to a decline in stock values, further hampering economic recovery.<sup>31</sup> A different type of proposal suggests that the federal government fund a “sales tax holiday” to increase immediate consumption. While this proposal could be effective in increasing consumption, the administrative difficulties of enacting it make it unattractive.<sup>32</sup>

In addition to creating stimulus by enacting new tax cuts, many have advocated the cancellation or postponement of some of the already scheduled rate cuts for upper-income taxpayers that were passed earlier this year. This could increase confidence in federal fiscal policy by offsetting some of the costs of proposed spending on stimulus efforts and could also lead to a drop in long-term interest rates. At the same time, it would avoid negative effects, as these cuts have not yet taken effect and in any case mainly affect those Americans whose consumption spending would not be significantly altered as a result.

## 2. Corporate tax cuts

Tax proposals targeting businesses are most often intended to increase corporate investment, although they are sometimes given, usually in the form of credits, as incentive to behave in certain ways, e.g., to hire certain groups or provide certain benefits to employees. Tax breaks enacted with the intention of increasing business investment are not likely to succeed as a stimulus because most businesses are currently experiencing problems of overcapacity. Boosting consumption is therefore a more likely stimulus of business investment. Incentive tax breaks are also not likely to be useful as stimulus because companies are cutting costs and employees during the economic downturn, and money

<sup>28</sup> Karen E. Dynan, Jonathan Skinner, and Stephen P. Zeldes. “Do the Rich Save More?” *National Bureau of Economic Research*, Working Paper 7906, September 2000.

<sup>29</sup> Payroll taxes are those deducted by employers from paychecks for such purposes as Social Security and Medicare. Because they are calculated on the first dollar of income, up to a certain maximum, all workers pay these taxes, as opposed to income tax, which is calculated on money earned over a certain amount. Because of this structure workers of low and medium income pay proportionately more in payroll tax than other taxes, as compared to high-income workers.

<sup>30</sup> Friedman, Joel. “Accelerating Enacted Rate Cuts Would Be an Ineffective Stimulus.” *CBPP*, October 4, 2001. <http://www.cbpp.org/10-4-01tax.pdf>

<sup>31</sup> This occurs because investors are encouraged to sell their stocks now, causing a larger decline in stock prices and possibly damaging consumer confidence. Because investors are rewarded for prior investment without incentive to reinvest the proceeds, this process exacerbates the current economic downturn. See Friedman, Joel, Iris Lav, and Peter Orszag. “Would A Capital Gains Tax Cut Stimulate the Economy?” *CBPP*, September 20, 2001. <http://www.cbpp.org/9-20-01tax.pdf>

<sup>32</sup> Johnson, Nicholas and Iris Lav. “A Federally Financed Sales Tax Holiday Would be Difficult to Implement and Would Have Limited Stimulus Effect.” *CBPP*, November 1, 2001. <http://www.cbpp.org/11-1-01sfp.pdf>



would more efficiently be spent directly on individuals than through corporate programs. It is important to note that any tax cuts targeted to corporations should be temporary in nature, to be most effective in stimulating short-term corporate investment.

Another possible issue with corporate tax cuts is that they are often difficult to rescind, even when the law requires them to sunset at a certain date. The tax code contains a patchwork of different reductions and exemptions that were enacted piecemeal and are typically renewed when they expire. Revenue reductions created by corporate tax cuts could, therefore, easily become permanent, thus jeopardizing the long-term fiscal outlook. Finally, these sorts of stimulus measures are an inefficient way to provide aid to those Americans suffering most from the effects of the economic downturn.<sup>33</sup>

A number of the economic stimulus proposals contain a permanent corporate tax cut, a repeal of the corporate Alternative Minimum Tax (AMT), and changes to the way that corporations can amortize certain expenses.<sup>34</sup> The first two of these proposals fail to meet the requirements for a good stimulus initiative, as they both incur significant long-term costs and fail to provide effective stimulus in the short-term.<sup>35</sup> Additionally, because they have such high costs in future years, they could have significant dampening effects on other stimulus measures by causing the long-term interest rate to rise. Since consumption is ultimately driven by personal decisions, these measures are further reduced in stimulative impact since they ultimately increase the income of those Americans who own capital, and are less likely to spend, and are more likely to save, any new money received. Temporary changes to the corporate AMT or expensing rules may be useful as a stimulus, but only in conjunction with measures that work to increase consumption.

### III. Currently Proposed Stimulus Packages

Currently there are three primary stimulus packages being considered by the Congress, although several others have been put forward by interested groups and lobbying organizations. The House Ways & Means Committee proposed a package consisting mainly of tax cuts for businesses and individuals, which was passed in the House by a margin of 216 to 214 and referred to the Senate Committee on Finance.<sup>36</sup> The Bush Administration outlined a second, similar package, although it has not yet been put in the form of a bill.<sup>37</sup> Finally, the Senate is currently considering a Democratic package sponsored by Finance Committee Chairman Max Baucus.<sup>38</sup> [Tables detailing key components of each proposal are included as Attachments A-D. A table highlighting agreement with stimulus principles is included as Attachment E.]

#### A. House Stimulus Package

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<sup>33</sup> Orszag, Peter and Joseph Stiglitz. "Tax Cuts Are Not Automatically the Best Stimulus: A Response to Glenn Hubbard." *CBPP*, November 27, 2001. <http://www.cbpp.org/11-27-01tax.pdf>

<sup>34</sup> The AMT is a corporate tax provision that was enacted to address the problem of large, highly profitable corporation using tax loopholes to effectively pay no income tax. The AMT created an alternative method for calculating tax owed that forced these profitable companies to pay at least a minimum amount based on earnings.

<sup>35</sup> Friedman, Joel and Iris Lav. "A Permanent Corporate Tax Rate Cut: The Wrong Medicine for Short-Term Economic Ills." *CBPP*, September 26, 2001. <http://www.cbpp.org/9-26-01tax.pdf>  
CTJ. "House GOP 'Stimulus' Bill Offers a Dozen Large, Low-Tax Corporations More than \$100 Million in Tax Rebates Each." *CTJ*, October 16, 2001. <http://www.ctj.org/pdf/amt16.pdf>

<sup>36</sup> U.S. House of Representatives, 107<sup>th</sup> Congress. "An Act to Provide Tax Incentives for Economic Recovery." H.R. 3090. October 24, 2001. [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107\\_cong\\_bills&docid=f:h3090rfs.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107_cong_bills&docid=f:h3090rfs.txt.pdf)

<sup>37</sup> Bush, George W., President. "Economy an Important Part of Homeland Defense." Remarks by the President to Employees of the Dixie Printing Company. October 24, 2001. <http://www.whitehouse.gov/news/releases/2001/10/20011024-2.html>

<sup>38</sup> Baucus, Max, Senator. "Economic Recovery and Assistance for American Workers Act of 2001." *U.S. Senate, Committee on Finance*, November 6, 2001. <http://finance.senate.gov/110601leg.pdf>



The stimulus package proposed by the House Ways & Means Committee and passed by the House primarily consists of different tax cuts for individuals and corporations. The main provisions of the bill include an acceleration of the cut in the 28% tax rate for individual taxpayers, a repeal of the corporate Alternative Minimum Tax, implementation of “partial expensing”, reductions in the capital gains tax, increased carrybacks of net operating loss write-offs, and finally, a one-time tax rebate to households who did not receive a full rebate check earlier this year. There are only two major spending provisions in the bill, which account for less than 4% of the total cost over 10 years. The first of these provides \$3 billion in Social Services Block Grant money to states, while the second accelerates the transfer of \$9 billion from the federal Unemployment Insurance Trust Fund to the states.

A CBPP analysis showed that more than 95% of the costs of this package take the form of tax breaks, and that about 85% of these tax breaks will disproportionately benefit upper-income taxpayers and corporations.<sup>39</sup> As discussed above, tax breaks are usually not the most effective vehicle for quick economic stimulus, and, since low- and moderate-income taxpayers receive very little money under this plan, it becomes even clearer that its stimulative effects are suspect at best.<sup>40</sup>

In fact, many of the tax cuts contained in this plan could have *negative* effects on the economy, because they reduce federal revenues while failing to provide any stimulus. Even worse, they may actually accelerate the economic downturn by encouraging anti-stimulative activity. Because cuts in corporate tax and changes in expensing are permanent, they do not encourage companies to spend now, when the economic outlook is uncertain, yet will still cost the federal government billions of dollars over the course of the next ten years. Additionally, these types of cuts, even when they are temporary, are usually renewed before expiration, increasing their costs above even what the House plan claims.

[T]he business tax cuts that make up the bulk of the House package are unlikely to persuade business to make additional investments in plants and equipment at a time when sales are falling and they already have more productive capacity than they can profitably use. - William Dudley, Chief U.S. Economist, Goldman Sachs

Also, because most states with corporate taxes use the federal tax code as the basis for calculating taxes owed, states will lose more than \$15 billion over the next three years, exacerbating existing state revenue shortfalls.<sup>41</sup> A report by the Center on Budget and Policy Priorities shows that Connecticut would lose almost \$100 million under the House stimulus plan.<sup>42</sup>

Capital gains tax cuts could also have a negative impact on the economy because they encourage the selling off of stocks, while providing no incentive to reinvest. Additionally, the profits from these sales will disproportionately go to the top 2% of income earners, who are less likely to spend these dollars.<sup>43</sup>

Finally, the provisions in the bill for aid to the Americans hardest hit by the current downturn is very small, *less than one third* the amount spent in the last recession of the early 90's. The \$9 billion going to the states for UI is money that has already been allocated, while the \$3 billion for healthcare for unemployed workers is much less than the \$16 to \$25 billion estimated as necessary in more comprehensive proposals. The money for UI trust funds does not have spending requirements attached,

<sup>39</sup> Friedman, Joel and Robert Greenstein. “Ways and Means Package Departs from Bipartisan Principles for Effective Stimulus and Offers Little Help to the Unemployed.” *CBPP*, October 17, 2001. *ibid*.

<sup>40</sup> Friedman, Joel and Iris Lav. “A Permanent Corporate Tax Rate Cut: The Wrong Medicine for Short-Term Economic Ills.” *CBPP*, September 26, 2001. <http://www.cbpp.org/9-26-01tax.pdf>  
Friedman, Joel, Iris Lav, and Peter Orszag. “Would A Capital Gains Tax Cut Stimulate the Economy?” *ibid*.  
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<sup>41</sup> Lav, Iris J. and Kevin Carey. “House Stimulus Package Would Worsen State Fiscal Conditions by Causing States to Lose \$5 Billion a Year in Revenue for the Next Three Years.” *CBPP*, October 18, 2001. <http://www.cbpp.org/10-18-01sfp2.pdf>

<sup>42</sup> Lav, Iris J., and Nick Johnson. “How Much Revenue Will the Corporate Tax Reductions in the House Stimulus Bill and Senator Baucus’ Stimulus Package Cost Each State?” *CBPP*, October 25, 2001. <http://www.cbpp.org/10-25-01sfp.pdf>

<sup>43</sup> CTJ. “Proposed Capital Gains Tax Cuts Would Divert Stimulus Funds to the Very Wealthy.” *CTJ*, October 12, 2001. <http://www.ctj.org/pdf/cgto18.pdf>



so it is likely that states will adopt a “wait and see” attitude in case the downturn turns out to be a long one, and so will not spend most of this money within the next year. In fact, adding money to state UI trust funds without imposing spending requirements could trigger corporate UI tax rate reductions as states “give back” some of this additional money to businesses.

An additional tax rebate for 40 million low- and moderate-income earners would be small in size, not even matching the tax rebates sent to profitable corporations as a result of the repeal of the Corporate Alternative Minimum Tax. These corporate rebate checks would total upwards of \$100 million *each* for more than a dozen major companies such as IBM and GE, \$25 billion in all and nearly double what the bill contains in relief for taxpayers of low and moderate income. Americans of modest means are most in need, and most likely to spend any excess income immediately, yet the House proposal provides them with very little support.

While offering tax cuts and windfalls to profitable corporations and wealthy taxpayers, the House stimulus package provides little in the way of effective economic stimulus, and even less in aid to those Americans most affected by the current downturn and the tragedy of September 11. The CBPP estimates that more than half of the tax cuts in the legislation would benefit families in the top 5% of taxpayers (with an average income of \$200,000), while only about \$1.50 of every \$10 spent would go to families with a low or moderate income.<sup>44</sup>

Importantly, the House stimulus package violates the bipartisan principles established by the House and Senate Budget Committees on October 4 of this year. The House bill’s provisions are neither temporary, fiscally responsible, nor effectively stimulative.<sup>45</sup> Many of them will have little to no effect this year, but will rather incur most of their costs in the future.<sup>46</sup> Finally, although the American economy depends on the efforts of the American people as a whole, the great majority of the expenditures in this package go to profitable corporations and upper-income taxpayers, leaving the majority of Americans still in need.

## **B. Administration Stimulus Package**

President Bush’s Administration released its outline for a stimulus package early in October. While it is substantially similar to that passed by the House, it does provide a little more in the way of spending and relief for the unemployed. It includes an Emergency Extended Unemployment Compensation program that would provide 13 additional weeks of coverage for unemployed workers, but would only apply to workers who lost their jobs after September 11 in states that experienced at least a 30% increase in UI claims in the three months following September 11. Because unemployment had already risen significantly in the past several months, this stipulation will deny additional coverage to most unemployed Americans. Additionally, under this plan, no new money would enter the economy until March.

Money for healthcare for unemployed workers will come from a \$3 billion grant to state and local workforce boards, agencies not equipped for administering such a program. The Bush proposal also suggests that states be able to apply for waivers to use their State Children’s Health Insurance Program (S-CHIP) money to pay for healthcare for unemployed workers.<sup>47</sup> However, this waiver is already available, and furthermore, assumes that there are S-CHIP funds remaining to be spent. A report by the Office of Management and Budget shows that almost all of these funds have already been allocated, and so any money spent on the unemployed would be cut from programs to insure America’s children.<sup>48</sup>

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<sup>44</sup> Friedman, Joel and Robert Greenstein. “Ways and Means Package Departs from Bipartisan Principles for Effective Stimulus and Offers Little Help to the Unemployed.” *CBPP*, October 17, 2001, <http://www.cbpp.org/10-17-01tax.pdf>

<sup>45</sup> Economic Policy Institute. “Economists’ Statement: An Open Letter to Senators Tom Daschle and Trent Lott.” *Economic Policy Institute*, November 2001. [http://www.epinet.org/webfeatures/viewpoints/stimulus\\_statement\\_6.pdf](http://www.epinet.org/webfeatures/viewpoints/stimulus_statement_6.pdf)

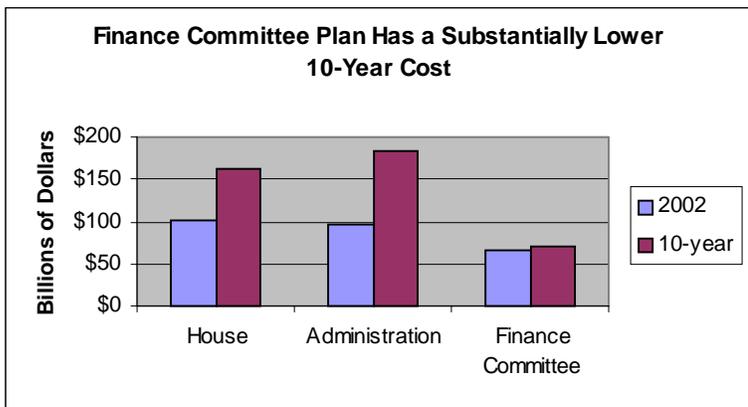
<sup>46</sup> See Attachment A “H.R. 3090 –House Bill”.

<sup>47</sup> The State Children’s Health Insurance Program (S-CHIP) enables states to insure children from working families with incomes too high to qualify for Medicaid but too low to afford private health insurance. S-CHIP can be implemented through separate state programs, Medicaid expansions, or a combination of both. In Connecticut, this program is known as HUSKY B.

<sup>48</sup> Greenstein, Robert. “The Administration’s Stimulus Proposal: Is it a Sound and Balanced Package?” *ibid*.



Measured by the principles defined above, the Bush Administration proposal fails to adhere to sound economic stimulus policy. The Unemployment Insurance benefits provided under the Bush program (\$5 billion for additional weeks of unemployment, as well as an additional \$3 billion transferred to state UI funds) are paltry compared to those given during the last recession (which totaled about \$35 billion in 2001 dollars).<sup>49</sup> Too little healthcare money is given to effectively help those in need, and will fail to make a real difference for those Americans who have lost their health insurance.<sup>50</sup> The tax proposals contained in this proposal create the same difficulties as those in the House Bill.<sup>51</sup> They violate many of the bipartisan principles laid out above, and fail to have significant stimulative impact. Additionally, in the same way that the House bill does, these proposals exhibit poor fiscal discipline, likely leading to an increase in long-term interest rates and perhaps more difficulty in achieving economic recovery.



**Figure 1.** Source: Friedman, Joel, Robert Greenstein, and Richard Kogan. "Senate Finance Committee Plan Includes Sound Stimulus Proposals."

### C. Democratic Stimulus Package

Senator Max Baucus, Chairman of the Senate Finance Committee proposed a Democratic economic stimulus bill that was adopted by the Committee on a party-line vote, but blocked from debate on the floor of the Senate.<sup>52</sup> The principles guiding this package were enumerated as follows: first, any stimulus package must have an immediate impact on the economy; second, all the tax cuts and spending provisions in the plan must be temporary; and finally, the package should be fair and compassionate, in the spirit that has guided the nation since the events of September 11.

The plan is a 50/50 mix of spending proposals and tax cuts, with about 30% of its cost going to tax incentives for corporations.<sup>53</sup> Other tax provisions include \$14 billion for rebates to low-income workers. The Democratic UI spending proposals include:

- An extension of unemployment insurance by 13 weeks for all eligible workers (not merely those who became unemployed since September 11);
- Support to many of those workers hardest hit by the current downturn, for example those working part-time or those who have not earned enough in the past 5 quarters to meet UI base period requirements;<sup>54</sup>

<sup>49</sup> NELP. "Evaluating the Unemployment Insurance Elements of President Bush's Economic Stimulus Package." *NELP*, October 2001. <http://www.nelp.org/pub86.pdf>

<sup>50</sup> Similar proposals by Senators Kennedy and Baucus would cover many more Americans by helping to pay COBRA premiums, and would necessitate concurrently greater funding.

<sup>51</sup> See Attachment B "Senate Republican (Administration) Proposal."

<sup>52</sup> U.S. Senate, 107th Congress. "Economic Recovery and Assistance for American Workers Act of 2001." H.R. 3090. October 24, 2001. <http://finance.senate.gov/110901leg.pdf>

<sup>53</sup> A statement issued by Senator Kennedy on the bill specifically discounts the value of permanent tax cuts as part of a stimulus plan, noting that they could actually do more harm than good for the nation's economy. Pointing to the lack of stimulative effect of permanent rate cuts, combined with the potential for driving up long-term interest rates, Senator Kennedy instead pointed to the Democratic package of targeted and effective support for middle and lower income working families that would have the benefits of both fairness and a more immediate stimulative impact on the economy. See Kennedy, Edward, Senator. "Statement of Senator Edward M. Kennedy on the Economic Stimulus Package." Press Release, October 24, 2001. <http://www.senate.gov/~kenedy/statements/01/10/2001A25B49.html>

<sup>54</sup> Even after the group of eligible workers has been enlarged, many Americans will still not have enough income to meet their monthly needs. See NELP. "Unemployment Insurance: Key Elements for an Economic Stimulus Package." *NELP*, September 2001. <http://www.nelp.org/pub85.pdf>



- An increase in UI benefits by an across the board 15% or \$25/week, whichever is greater.

These proposals would inject about \$15 billion into the economy.

While providing unemployment insurance will help many Americans in this time of need, the plan also calls for federal subsidies for health insurance, covering 75% of COBRA premiums for up to a year after a worker has become unemployed. It would also allow states to extend Medicaid and other programs to those Americans who do not qualify for COBRA. All in all, these healthcare provisions would provide about \$7 billion in assistance over the next year.

To prevent the dampening effects on an economic recovery of state spending cuts or tax increases, the Democratic proposal would provide for more than \$3 billion dollars in direct aid to states to help them avoid cuts to existing human services programs through a temporary 1.5% increase in the federal matching rate for Medicaid, with an additional 1.5% increase (to 3% total) in states with high unemployment.<sup>55</sup> For Connecticut, a 1.5% increase in the Federal Medicaid matching rate (currently 50%) would bring close to \$38 million in additional federal funds into the state.

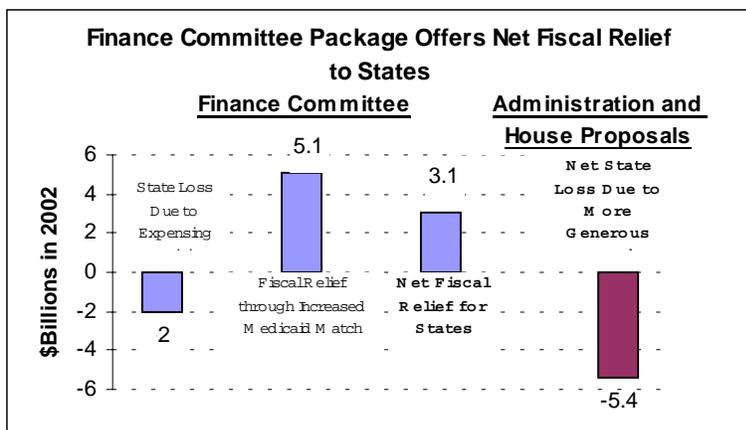


Figure 2. Source: Friedman, Joel, Robert Greenstein, and Richard Kogan. "Senate Finance Committee Plan Includes Sound Stimulus Proposals."

The final provision of the Democratic proposal involves a tax rebate targeted to low and moderate income Americans. By providing rebates to all Americans who did not receive them earlier this year, as well as allowing those Americans who received less than the maximum rebate to claim the difference, this proposal would provide \$14 billion to Americans most affected by the current economic downturn.

Although this package has many of the characteristics of a sound stimulus package as outlined in the first section of this paper, it is not perfect. It contains several spending

measures that can be considered "pork", such as \$3 billion for agriculture relief and \$3 billion for rural development. Additionally, while it is clear that New York is in need of relief due to the particularly devastating effect of terrorist attacks on its citizens and economy, several of the measures included as part of that relief are questionable at best.<sup>56</sup> All in all, however, the Democratic stimulus plan comes closest to meeting the principles laid out in this paper, and also best honors the spirit of September 11 by helping those Americans most affected by the economic downturn and the recent tragedy.<sup>57</sup>

## IV. Conclusion

The principles that define a sound economic stimulus package are relatively simple, yet there exist greatly diverging views on how to best implement them in specific proposals. Philosophical differences between Democrats and Republicans have led to very different bills in the House and Senate. As the analysis in this paper has shown, the House stimulus package fails to adequately meet the requirements for an efficient and effective proposal, and its benefits are heavily skewed toward upper-income Americans. Although the Administration has criticized the House bill, it is difficult to see in what ways

<sup>55</sup> Defined as unemployment rates that exceed the national average for three consecutive months.

<sup>56</sup> For example, investments in citrus trees and exemptions from excise taxes for aircraft fuel used in agriculture and lumber. See U.S. Senate, 107th Congress. "Economic Recovery and Assistance for American Workers Act of 2001." *ibid.*

<sup>57</sup> See Attachment C "H.R. 3090 – Senate Finance Committee Bill."



the Bush proposal is better.<sup>58</sup> Its measures are even more fiscally irresponsible and weighted towards large corporations and upper-income individuals, while possessing doubtful stimulative impact. On balance, the Democratic proposal comes closest to embodying the principles laid out in this paper, and provides a great deal of assistance to those most impacted by the economic downturn, America's lower- and middle-income families. While the Democratic bill is not perfect, it is the best of the proposals currently under debate in the Congress.

It will take a great deal of leadership and bipartisan compromise to draft an economic stimulus package that will meet the needs of the American economy and American citizens. This task is made only more difficult by time constraints and the need to focus on other issues, such as the war against terrorism. Using the Democratic proposal drafted in the Senate as a blueprint will ensure that the final stimulus package will be a sound one. Leaders in the Congress must work together with the Administration in a bipartisan spirit, putting aside philosophical differences and working to meet their obligations to the American people. Hopefully our leaders can come together in this time of crisis to do what is right and necessary for the nation.

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<sup>58</sup> Stevenson, Richard W. "Bush Administration Says G.O.P Tax Cut Bill Goes Too Far." *The New York Times*, October 16, 2001.



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*CBPP* – Center on Budget and Policy Priorities

*CTJ* – Citizens for Tax Justice

*NELP* – National Employment Law Project

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