



## **American Recovery and Reinvestment Act: Questions and Answers, Rebutting Critics – Part II**

**Q: Doesn't the Congressional Budget Office (CBO) say that the Recovery bill will shrink the economy in the long run?**

A: CBO estimates that the recovery plan will create jobs (up to 3.6 million over the next 2 years) and increase economic growth for the next five years – getting us out of this economic crisis. (It estimates that GDP growth in 2015 to 2019 will either be not affected by the recovery package or be slighter lower (0.2 percent less) but that is only because of an increase in the national debt, which will be reduced in the President's budget plan.)

The recovery package is one part of President Obama's comprehensive economic plan, which includes the housing package, financial stability plan and a budget that will cut the deficit in half over the next four years.

President Obama's overall plan for fiscal responsibility is not taken into account in CBO's estimate of a slight decline after five years, and that any minor decline in GDP is a direct result of current estimates of rising national debt.

**Q: Will the unemployment funds in the recovery plan ultimately raise taxes on businesses?**

A: No. Because the measure will boost state unemployment funds, the National Employment Law Project estimates that the Unemployment Insurance Modernization Assistance will prevent tax hikes in key states like Louisiana, South Carolina, Texas, South Dakota and Mississippi.

The American Recovery and Reinvestment Act provides \$7 billion in immediate funding for states to modernize outdated unemployment systems at a time when unemployment trust funds are running low and unemployment rates are breaking records every month. On average, the funding received by the states for Unemployment Insurance Modernization Assistance would cover at least seven years of expanded unemployment benefits. And by then, we will be out of the recession and there will be fewer people out of work and less demand on the unemployment system.

There are currently at least 500,000 to 650,000 unemployed workers—mostly low-wage workers, women and part-time workers—who are falling through the cracks of unemployment insurance programs due to outdated eligibility rules even though their employers have paid into the system on their behalf. More than half the states over the past decade have taken major steps to modernize their programs to cover those workers.

Mark Zandi, former economic advisor to Sen. John McCain's campaign, estimates that for every \$1 invested in unemployment benefit assistance, \$1.64 in economic activity is generated.

**Q: Doesn't the Making Work Pay Tax cut provide only \$8 per week?**

A: To deploy the \$400 per year for individuals and \$800 per year for couples Making Work Pay tax cut quicker than any tax cut in history – it will be spread out over weekly paychecks – boosting the stimulative effect. As President Obama said last this weekend, “[B]y April 1st, a typical family will begin taking home at least \$65

more every month. Never before in our history has a tax cut taken effect faster or gone to so many hardworking Americans.” An extra \$65 each month could mean being able to fill up the tank for a week, to pay for a week’s worth of health care bills, or paying the monthly bill for telephone for the average American family. [Consumer Expenditures Survey, 2007] This addition to paychecks will prompt much-needed consumer spending to stimulate the economy – in contrast, to last year’s lump-sum rebate which was used by some for savings or to pay off credit cards.

**Q: Why does the recovery package include benefits for Filipino veterans?**

**A:** The American Recovery and Reinvestment Act authorizes \$198 million that was previously appropriated last year to pay a long-overdue debt to Filipino veterans of World War II. These veterans were promised payments by the U.S. government for fighting the Japanese but never were paid. Some 6,000 of these war veterans are in America and desperately need the money. In addition to addressing this serious injustice, this will put more money into the American economy.

**Q: Does the plan include a magnetic levitation line from Las Vegas to Disneyland?**

**A:** No. There are no earmarks in the bill. The recovery package does invest in a bold and innovative plan to expand high-speed rail. Connecting cities with faster rail service will relieve congestion, improve energy conservation, spur commerce between cities, create jobs, and revitalize local economies. High-speed rail plans span the country from Florida to Ohio, from the Northeast to California. The Las Vegas to Los Angeles lines could apply for some of these funds.