

NEW REPORT SHOWS AMERICAN RECOVERY AND REINVESTMENT ACT WILL WORK

Congressional Budget Office Report Shows Positive Economic Effect, Undermines Republican Claims to Contrary

The American Recovery and Reinvestment Act is essential to our economic recovery. Yet, Republicans have repeatedly provided misleading information on its effects in an effort to undermine this important legislation. As part of this campaign, Republicans and conservative media figures disingenuously cite a Congressional Budget Office (CBO) statement, falsely asserting that this non-partisan office has determined that the recovery package would harm the economy: “CBO reported this week that the congressional Democrats' plan wouldn't have any real impact for years,” said House Republican Leader John Boehner (1/22/09). But a new report shows that the CBO projects that the recovery package will work:

CBO: Recovery Legislation Will Spur Growth, Increase Employment, and Ensure Long-Term Economic Growth

- In written testimony to the House Budget Committee on January 27, Douglas Elmendorf, Director of the Congressional Budget Office, stated: “In CBO's judgment, **H.R. 1 would provide a substantial boost to economic activity over the next several years** relative to what would occur without any legislation.”
- **CBO found that recovery legislation would increase GDP** by 1.4% to 3.8% by the 4th quarter of 2009 and 1.1% to 3.4% by the 4th quarter of 2010
- **CBO found that recovery legislation would increase employment** by 0.9 to 2.3 million jobs by the 4th quarter of 2009 and 1.2 to 3.6 million by the 4th quarter of 2010
- **CBO found that recovery legislation would provide critical funding education**, which “could raise long-term productivity by enhancing people's skills.”
- **CBO found that recovery legislation would make investments in long term growth**, with one-quarter to one-third of the costs of the bill intended for “provisions that could add to long term output” such as scientific research and education.
- **CBO found that the elements with the largest stimulative impact were:**
 - Purchases of goods and services by the Federal Government (multiplier of increased economic output of up to 2.5 times budgetary cost)
 - Funds to states for infrastructure (multiplier of up to 2.5)
 - Transfers to individuals, including food stamps, unemployment benefits, and COBRA (multiplier of up to 2.2)
 - Additional state fiscal relief (multiplier of up to 1.9)
 - Tax cuts for low- and middle-income taxpayers (multiplier of up to 1.7)