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Arkansas Democrat-Gazette (Little Rock)  
July 18, 2010 Sunday

**SECTION: FRONT SECTION**

**HEADLINE:** Stimulus debate: Failure or boon? Democrats, GOP spar over effects

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WASHINGTON - To defend the economic stimulus plan that has been channeling tax dollars into the economy for more than a year, the Obama administration sent its chief economic adviser, Christina Romer, to Capitol Hill last week with the message that despite high unemployment, the plan is working.

But Romer said the economy faces "persistent head winds," and without further action, the recovery could falter.

The stimulus "has helped Arkansas weather the economic storm," Rep. Mike Ross said Friday.

Ross and his fellow Democratic members of the state's congressional delegation favor a continuation of federal stimulus, in the form of tax breaks and increases in safety-net social programs.

But Rep. John Boozman, Arkansas' only Republican member, did not vote for the stimulus and said last week that it hasn't worked.

Boozman said the discussion on whether further stimulus is necessary reminded him of a losing football coach who wouldn't change his game plan. To win, Boozman said, "You don't keep running the same failed play over and over." This week, the Senate will take up two of Romer's suggestions when it debates extending unemployment insurance and a bill aimed at increasing federal support for job creation by small businesses.

Critics of the economic stimulus plan passed in early 2009 say it's time for the federal government to tighten its belt. They argue that after billions of taxpayer dollars were pumped into the economy, the unemployment rate still hovers around 9.5 percent.

Supporters counter that without the infusion of federal cash, things would be a whole lot worse. They point to job gains during the first six months of the year and say that with the economy still fragile, more federal help is needed.

Less than four months before the November congressional elections, lawmakers disagree on whether the economy needs more nudging from the federal government to help ease chronically high unemployment, or whether more federal spending on top of the American Recovery and Reinvestment Act - a \$787 billion package of spending increases

and tax cuts - will send federal debt skyward, putting the nation's long-term economic prospects at risk.

Just under \$1.4 billion has been spent in Arkansas under the stimulus legislation, according to the state's recovery-program website, [recovery.arkansas.gov](http://recovery.arkansas.gov).

"The Recovery Act has done exactly what it was intended to do," said Arkansas' Sen. Blanche Lincoln.

"I think it's worked. I don't think anyone entered into this thinking we'd be back to normal in a year. The objective here was to stop the hemorrhaging and let the wound heal." Boozman, who is contesting Lincoln, a Democrat, for her Senate seat on the November ballot, disagreed.

"The stimulus has been a complete failure," Boozman said. "You can't continue to tax, spend and borrow your way into financial prosperity." The key to livening up the economy, he said, is to lower corporate tax rates and reduce government regulations on business.

While Democratic members of the Arkansas congressional delegation don't see a need for a "second stimulus," they support the extension of unemployment benefits.

Boozman voted against extending them, but said he would support extending the payments only if the cost was offset by other spending reductions.

Ross, a member of the Blue Dog Coalition, a group of House Democrats who bill themselves as fiscally responsible, said he's worried about the nation's debt.

But he said rising debt levels are partially the result of unemployment and a dwindling tax base.

"It's not just caused by spending," he said. "Our revenues are down." Rather than concentrate on new spending, he'd prefer Congress to pass small-business tax incentives that he said would lead to new hiring.

And he and Rep. Marion Berry, another Democrat from Arkansas, believe that Congress should pass a highway funding reauthorization that would create construction jobs in the state.

Arkansas' two senators agreed that federal stimulus should take the form of smaller bills that target particular areas of tax and spending policy.

Lincoln said jobs will be created by passage of a "tax extenders" bill that extends a range of business tax credits and by reauthorizing spending for the Federal Aviation Administration, which will greenlight airport projects throughout the country.

Her Arkansas colleague in the Senate, Sen. Mark Pryor, said the Senate passage earlier this year of a rule that all new spending must be offset by either tax increases or spending reductions has made it unlikely a large second stimulus bill would see traction in the chamber.

He said that the American public is "tired" of big, comprehensive bills and that smaller items would be easier for voters to digest.

"If you have a smaller, more targeted piece of legislation, it's easier to find offsets," Pryor said.COMMITTEE DEBATE

Disagreement over the Recovery Act was on full display at a Wednesday meeting of the Joint Economic Committee, an advisory panel that consists of House and Senate members.

Romer, chairman of the administration's Council of Economic Advisers, presented to the committee the council's fourth quarterly report on the economy since the Act was signed into law. She said the stimulus plan had created or saved between 2.5 million and 3.5 million jobs.

She predicted that \$100 billion of the stimulus funding currently being spent will attract \$280 billion in private sector investment.

"The Recovery Act appears to be stimulating private investment and job creation when the economy needs it most," she said.

Romer called for additional stimulative measures, such as the extension of unemployment insurance benefits, subsidized small business lending and federal aid to state and local governments.

"Without further aid, the economy will continue to grow, but the rate of recovery will likely to fall short of the rapid expansion that is needed to bring the unemployment rate down quickly." Republicans on the committee were not impressed.

Rep. Michael Burgess of Texas said Romer's figures came straight out of Alice in Wonderland.

"Chairman Romer, where are the jobs?" he asked. "The stimulus was a failure." The committee's ranking Republican, Rep. Kevin Brady, also of Texas, used a literary reference as well to refer to Romer's report.

"I'll nominate it for a Pulitzer in fiction," he said, adding that any reference to the administration's original prediction of an unemployment rate of less than 8 percent was not included in its findings.

"We could have been at 16" percent unemployment, had the stimulus not been enacted,

replied Rep. Elijah Cummings, a Maryland Democrat.

Banging his fist on the table, he said: "If we keep saying 'the sky is falling, the sky is falling,' guess what? It's gonna fall." Arkansas' Rep. Vic Snyder, a Democrat who sits on the panel, said a "countercyclical" infusion of federal cash into the economy is necessary during downturns.

"My friends on the other side, they were fine to deficit-spend to do a military runway in Iraq or Afghanistan, but somehow that money goes to Little Rock Air Force Base, which it did ... that's not a good investment. Or \$50 million for clean-water projects in Arkansas under the stimulus bill is bad, but to deficit-spend for clean-water projects in Iraq or Afghanistan is good - I don't get it."

## CLASH OF VIEWS

The debate also rages outside the halls of Congress, among financial experts.

Jan Hatzius, the chief economist at Goldman Sachs, wrote earlier this month that the United States has plenty of capacity to issue new debt.

"When compared with the risk of a renewed economic downturn and/or a descent into deflation," Hatzius wrote, "the cost of additional stimulus seems to be well-worth paying." Writing in *The Wall Street Journal*, former Federal Reserve Chairman Alan Greenspan disagreed. Using Greece, a country that defaulted on its debt as a result of unbridled spending, Greenspan called for a "tectonic shift in fiscal policy." "I believe the fears of budget contraction inducing a renewed decline of economic activity are misplaced," he wrote.

Supporters of further stimulus efforts are "hamstrung" because their economic prescription - increasing deficits in order to juice the economy - is counter to the prevailing political view in the country, according to Daniel Mitchell, a senior fellow at the Cato Institute, a Washington research and advocacy group that supports reducing the size of government.

Calling the stimulus a "sedative," Mitchell said that anti-government sentiment will carry the day in November's elections.

"The entire Tea Party movement is a protest against big government and that's what the stimulus is," he said.

Jim Horney, director of federal fiscal policy at the Center for Budget and Policy Priorities, a Washington group that advocates on behalf of low- and moderate-income Americans, favors increasing federal aid to states and extending unemployment safety-net payments as a way to both target individuals in need and prevent layoffs, and increase spending in the economy.

While Horney said longterm debt is a major concern, he argued that short-term deficit spending would give the economy a spark. He allowed that it is tough for supporters of further stimulus to say they also want to rein in the debt without being accused of "doublespeak." "The chances of getting as much as we think is useful is politically unlikely," he said.