

Federal recovery package saved Minnesota jobs



BY CONRAD DEFIEBRE, [MINNESOTA 2020](#)
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State and federal officials are doing their darnedest to track the economic benefits of the American Recovery and Reinvestment Act, AKA the stimulus plan, most conspicuously by trying to count the jobs created or saved by billions in taxpayer dollars.

It's an endeavor fraught with difficulty, and one that offers inviting targets to the economic flat-earthers of the far right. For example, the Merry Pranksters of the Taxpayers League of Minnesota last week trumpeted a part of a government report suggesting that each stimulus-supported job under federal contracts cost \$533,000.

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Never mind that that sliver of the stimulus universe amounted to less than 5 percent of the total program spending so far. Or that U.S. Rep. Jim Oberstar of Minnesota says the government undercounted 165,000 highway and transit construction jobs by more than half. Or that the accounting at Recovery.gov based on reports from state officials shows 14,315 Minnesotans working thanks to \$569 million in stimulus funds spent so far - less than \$40,000 per job.

Actually, despite unprecedented efforts to count every single American put to work by the stimulus, you can tease just about any job-creation statistics you like out of these reports. It's an impossible task that won't mollify the critics because they don't trust the numbers anyway.

As Chris Edwards of the libertarian Cato Institute told the PBS NewsHour last week, "We're relying on state and local governments and private businesses to tell us how many jobs they are creating with government money. So there is an obvious incentive to overestimate how many jobs you are creating, because, you know, states want a second round of stimulus payments, so, of course, they want to make their federal masters happy by claiming they created a lot of jobs."

What's interesting but little understood in this debate is that there is absolutely no official effort to count the jobs stimulated by the part of the recovery program most conservatives love - tax breaks. In Minnesota, they

will comprise nearly half of the \$8.9 billion in stimulus the state stands to reap over two years. But no one knows - and apparently no one cares, either - how many folks will be put to work by \$4.2 billion in federal largesse direct to Minnesota taxpayers.

That's because they can't be counted, although broader benefit estimates may come from the dark arts of macroeconomics. You won't hear right-wingers touting those estimates because they don't reflect favorably on tax cuts as economic stimulus.

In testimony before Congress last week, Mark Zandi, chief economist at Moody's Economy.com, presented research showing far greater economic benefits of government spending increases than from tax breaks. For example, Zandi found about four times the bang for the buck from stimulus programs such as building infrastructure, shoring up state budgets and extending or increasing unemployment insurance and food stamps than from permanent tax cuts. The latter produce an average of about 35 cents in increased gross domestic product for each dollar the government cuts taxes, compared with \$1.41 to \$1.74 in new output per dollar of stimulus spending.

Temporary tax cuts to individuals such as the stimulus payroll tax holiday show modestly positive benefits, Zandi said, but business incentives such as accelerated investment depreciation are the worst performers of all, returning no more than 25 cents on the dollar.

In short, the real question to ask about the stimulus program is not exactly how many jobs can be attributed to it, but what it does for the economy as a whole. The answers there are hard to rebut.

The U.S. economy grew from July through September for the first time in two years, thanks largely to government efforts to stabilize the financial system and stimulate output, Zandi told Congress.

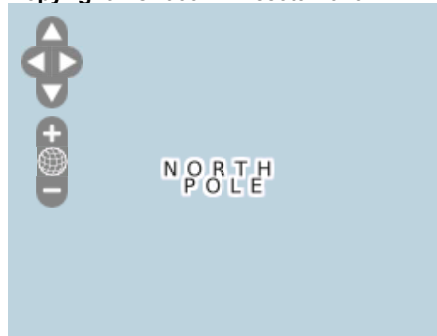
"It is no coincidence that the Great Recession ended just as the stimulus began providing its maximum economic benefit," he said. "The stimulus is doing what it was supposed to do: short-circuit the recession and spur recovery ... Without the stimulus' support to household incomes, consumers would still be cutting back.

"Although the exact number of additional jobs that would have been lost without the fiscal stimulus will never be known, it is clear that the number is significant. The research of Moody's Economy.com suggests that a million fewer jobs would exist today, while the unemployment rate would already have risen well into double digits."

To be sure, a million or more jobs created or saved by the stimulus is but a fraction of the 8 million lost in the past two years, an economic contraction not seen since the 1930s. Leading economists such as Zandi and Nobel laureate Paul Krugman say that's a failing not of government stimulus per se, but rather of too little of it to begin with.

Krugman, in his New York Times column, wrote this week: "We know that stimulus works, but we aren't doing nearly enough of it. For the sake of today's unemployed, and for the sake of the nation's future, we need to do much more."

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