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A Substantial, Strategic and Sustained Plan for Economic Revival

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A MAIN STREET RECOVERY PROGRAM

Executive Summary

Our economy now faces the most serious crisis since the Great Depression. The financial crisis that was triggered by the bursting of the housing bubble has now spread to the real economy, and we face a sharp downturn that is spreading across the globe. A serious recession now seems unavoidable in the United States, as well as Europe and Japan. The developing world is already struggling with financial turmoil and economic decline. For the first time since the 1930s, we face a real risk of deep worldwide economic contraction.

Restoring economic growth will require a bold, multifaceted plan. This must begin with a recovery program for Main Street – substantial fiscal expansion to revive the real economy.

With a deep and long global downturn now likely, any plan for reviving the economy should be **substantial, strategic, and sustained.** It should also be coordinated with simultaneous efforts across the world.

Reviving our nearly $15 trillion economy will require **substantial** fiscal expansion. With interest rates already low, monetary policy can provide little help. The decline in consumption brought by the collapse of housing and stock prices has already been dramatic. Now states and localities must cut spending or raise taxes to balance budgets. Exports are declining as the world economy slows.

Three percent of GDP – about $450 billion each year for two years, a total of $900 billion – should define the floor, not the ceiling, of what needs to be done.

The plan must be **strategic**, focused on public investment in areas vital to strengthening America's long-term competitiveness. Public investments are far more efficient at stimulating the economy than tax cuts for individuals or businesses. The money allocated will be spent and will produce jobs here. And public investment provides a long-term return in the higher productivity of transport on modern roads and rail, the higher productivity of better-trained workers, and the new technologies spawned from higher research and development funds. Central to the plan should be investment in green technology, reducing our dependence on foreign oil, and addressing the rising threat of global warming. It must also target the states, funding vital health care and public programs so the recession is not worsened by local budget-cutting. This will also help to maintain the income of the people most likely to spend in the economy.

Finally, the recovery plan must be **sustained**. Two years of deficit-funded stimulus should help the economy recover. But it will take many years of fiscal expansion to move us from an economy driven by booms and busts of asset bubbles to one of sustained and balanced growth.

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A MAIN STREET RECOVERY PROGRAM

We now face the worst economic crisis since the Great Depression. The collapse of the housing bubble, followed by a credit freeze and stock market collapse, has erased over $10 trillion in paper value in the U.S. alone. The debacle in housing exposed, in the words of Noriel Roubini, a subprime global financial system that was recklessly over-leveraged, laden with exotic securities of unknown value, and now facing staggering losses. Massive, and at times desperate, efforts by central banks across the world have served only to stave off collapse.

This financial contagion has now infected the real economy. A serious recession now seems unavoidable in the United States as well as in Europe and Japan. And the developing world, which we were told was "de-coupled" from the U.S. and Europe, is facing enormous strains of its own. For the first time since the 1930s, we face a real risk of worldwide deflation and substantial economic contraction.

Restoring economic growth will require a strong and multifaceted plan. Reviving the financial system itself will require far more than the hastily assembled and badly designed $700 billion bailout passed in September. We must (1) remedy the costly defects in the current plans; (2) put in place a systematic program of real mortgage relief for homeowners, and (3) enact comprehensive reform of financial markets.

It is not possible, however, to simply clean up this mess and return to business as usual. Stabilizing the housing and financial markets and staving off a deep downturn must be part of a broader, systemic effort to address the roots of this crisis.

For too long, our economy has been based on consumption sustained through asset bubbles and easy credit, with the vast majority of new wealth accumulated only by those at the very top. We must chart a strategy to move towards sustainable, long-term growth, with blessings that are widely shared. This will require increased government investment in public education, in research and development of new technology, and in the modern infrastructure that is vital to building a competitive economy. It must also include raising the minimum wage and reviving the right of employees to organize and bargain collectively, so that workers may once again capture a fair share of the productivity and wealth they help generate.

The new strategy must include access to comprehensive and affordable health care for all Americans. It must include a system of taxation that produces the revenue necessary for supporting a vital public sector in a fairer and more progressive manner. We will also need a new global initiative to reform currency and financial regulations, to place the financial system in its proper role as servant to the real economy. And this strategy must be accompanied by a global trade regime that reduces unsustainable trade imbalances and ensures that trade benefits workers in all participating countries.

In the coming weeks, we will address each of these issues. We begin below with an analysis of the steps needed to counter the deepening recession and get the real economy going again.

The Immediate Need: Reviving Main Street

The need for substantial fiscal expansion to revive the real economy is clear and present, as a long and deep downturn now seems inescapable. The economy has been losing private-sector jobs for 12 months. Unemployment is already at a five-year high and continues to rise, and many employees are working fewer hours than they wish, facing pay and benefit cuts, or dropping out of the workforce in discouragement. After taking into consideration workers who take part-time jobs out of necessity and those who are otherwise marginally attached to the labor force, the effective unemployment rate at the end of November was an extraordinary 12.5 percent.

Consumers are cutting back, as their confidence has been shaken by staggering losses in housing and stock-market values. Manufacturing has been relentlessly shedding jobs over the last seven years and is now in a near-free fall. Construction has been decimated by the bursting of the housing bubble and the freezing of credit. Retail stores are girding for a grim holiday season. Exports, which had risen with the falling dollar, will now be slowed by the global economic downturn. States and localities that had increased public employment over the past year now face declining revenues and rising deficits which will force layoffs and cutbacks in needed services. Our economy is in trouble and needs action now.

While more monetary loosening is likely, its effects will be limited, as interest rates are already at low levels. A major fiscal stimulus is essential. Though the $700 billion Wall Street bailout may have been necessary, it was not simulative. In the end, banks will only lend at needed levels when there is a growing economy in which to lend. And while budget deficits have already risen, they pose no immediate danger as the global crisis has witnessed a flight of investment back to the dollar, allowing for relatively low-cost financing.

With a deep and long global downturn now likely, any plan for reviving the economy should be **substantial, strategic and sustained.** It is also imperative that it be coordinated with similar efforts across the world. The U.S. cannot be expected to lift the global economy alone.

Reviving our nearly $15 trillion economy will require **substantial** fiscal expansion. The consumption effects of the collapse of housing and stock prices have already been dramatic, as reflected in the bottoming of consumer confidence. When gross domestic product growth fell to negative levels at the end of 2000 and America was hit by the shock of 9-11, the U.S. general government budget (federal, state and local combined) went from reporting a surplus of approximately 1.3 percent of GDP to running a deficit of about 4.9 percent GDP by the end of 2004 – the equivalent of over $900 billion in fiscal stimulus. Even that stimulus – which was bolstered by extremely low interest rates, a thriving financial system, a housing asset bubble, and a growing global economy – produced only a slow recovery and stagnant incomes. Today's crisis is worse, and fiscal expansion must do much more of the heavy lifting. Although not directly comparable, China recently announced a stimulus plan focused entirely on the internal investment of 7 percent of their GDP each year for two years.

Three percent of GDP -- about $450 billion each year for two years, for a total of $900 billion -- should define the floor, not the ceiling, of what needs to be done.

The plan for reviving the economy must be **strategic**, focused on public investment in areas vital to strengthening America's long-term competitiveness, not simply on giving consumers or businesses a temporary boost through tax rebates. As we detail below, central elements of the plan should include investment in green technology, reducing our dependence on foreign oil, and addressing the rising threat of global warming. We should also move to repair and modernize our intellectual and physical infrastructure and to provide temporary financial assistance to workers most in need. This approach will generate jobs immediately and contribute to greater productivity and international competitiveness.

Public investments are far more efficient at stimulating the economy than tax cuts for either individuals or businesses are. First, all investment spending will in fact be spent, whereas data suggests that only 20 percent of the recent tax rebates went into consumption; the remainder was saved or used to reduce consumer debt.

Second, more of the jobs generated through public investment will be created here. In contrast, a good portion of the tax rebates were spent on goods manufactured abroad, creating jobs in China and elsewhere. Infrastructure funding targets construction workers, who have been hit hardest by the housing market's collapse. Infrastructure projects are tangible and visible, helping to generate needed confidence in recovery. Economic models, such as the one used by Mark Zandi of Moody's Economy.com, show that in the first year, stimulus investments in the form of infrastructure spending, aid to state governments, and extended unemployment benefits or food stamps generate more GDP growth per dollar than do tax cuts or rebates.[1]

And public investment is just that: an investment. Money spent earns a return in the form of higher productivity from workers who take advantage of broader and cleaner transportation choices and faster broadband connections, and from students whose ability to learn is improved by modernized schools or attendance at otherwise unaffordable colleges.

Critics argue that public investment takes too long to begin, claiming that recessions end before infrastructure money has been spent. This argument has little relevance now, as we face a recession that is likely to be deep and long if we do not provide a sustained response. Moreover, in recent recessions, labor markets recovered far more slowly than other elements of the economy. In the recession of 2001, for example, it took more than two years for employment rates to bottom out and four years before they rose above pre-recession levels. In addition, there is a significant backlog of infrastructure projects that are ready to go and lack only the resources to move forward. Governor John Corzine of New Jersey testified that his state alone has $1.5 billion of projects ready to start in 90 days. A survey by the American Association of State Highway and Transportation Officials found over 3,000 projects totaling $17.9 billion that are ready to launch within 90 days of receiving funding. A compilation by the Economic Policy Institute found $20 billion worth of school projects that are ready to begin.

Any recovery plan must also be **sustained**. Ending the recession, however difficult, is not sufficient. It will take many years of fiscal expansion through public investment to move us from an economy driven by the booms and busts of asset bubbles to one driven by sustained and balanced growth. During the initial two-year period of increased deficit spending, we should be formulating a multiyear plan to change our economic priorities. After the first two years, this program should be permanent, productive and paid for. Long-term investments in public education and training, in health care, in modernizing our infrastructure, in urban reconstruction, and in research and development should be sustained not by deficit spending but by changes in how we use our resources.

Returning to a more progressive tax code – by closing corporate loopholes such as the egregious carried-interest tax break and by collecting the $300 billion a year that the IRS is owed but does not collect – could easily raise over $600 billion a year.

Core Elements of the Recovery Plan

At $450 billion a year for two years, a recovery plan should focus on the following core elements:

Green Investment. A first priority should be a green investment agenda designed to reduce our dependence on foreign oil and address the rising threat of global warming. *Green Recovery*, a report by Robert Pollin of the University of Massachusetts' Political Economy Research Institute, and the Center for American Progress, documents opportunities for creating two million green jobs over two years by investing nearly $100 billion in six green infrastructure areas: retrofitting buildings to improve energy efficiency, expanding mass transit and freight rail networks, constructing "smart" electric-grid systems, increasing capacity for generating power from wind and solar energy, and developing carbon capture technologies and next-generation biofuels.[2] This amount should be considered a minimum and could be expanded if appropriate plans can be rapidly developed. We designate $50 billion of this package for investment in green projects that will generate jobs and growth in the near term.[3]

Infrastructure Modernization and Repair. A second priority is major investment in state-of-the-art national infrastructure, including everything from roads and bridges to schools, airports, and sewers. These investments generate jobs while providing the foundation for greater productivity for our factories and offices, better health for all citizens and a better education for our children.

In an America that is literally falling apart, the need for this investment is apparent. According to the American Society of Civil Engineers, over two-thirds of America's roads are in poor or mediocre condition, resulting in billions wasted on automobile repairs and traffic delays.[4] More than one in four bridges are rated structurally deficient or obsolete and half of waterway locks are functionally obsolete.[5] The Department of Education found that 43 percent of schools are in a state of disrepair so severe that it "interferes with the delivery of instruction."[6] The American Society of Civil Engineers estimates that getting the nation's infrastructure in good working condition would require $1.6 trillion spent over five years, or more than $300 billion per year.[7]

The Economic Policy Institute has compiled a range of infrastructure projects – including building high-quality drinking water and wastewater systems, and modernizing and repairing schools and roads – that total about $40 billion and are "ready to go." There is an estimated $32 billion backlog of repairs and rebuilding needed to bring public housing into good condition. A $75 billion investment program in the first year could easily be expanded to $150 billion, still less than the amount deemed justifiable by the Congressional Budget Office in the second.[8]

Aid to States. The economic downturn has left state and municipal finances in dire straits. Tax revenues are plummeting as demand for services is rising. The Center for Budget and Policy Priorities reports that at least 41 states face shortfalls in their budgets this year or will face shortfalls next year. Twenty-nine states closed shortfalls totaling $48 billion in their fiscal year 2009 operating budgets largely by drawing on "rainy day funds." In fiscal year 2010, CBPP estimates that a total deficit of $100 billion will have impact on virtually every state. In previous recessions, the financial pressures on states continued building at least two years after the onset of the recession.[9]

In past recessions, states have responded to budget gaps by reducing children's health care services, cutting spending on child care and education, restricting Medicaid eligibility, cutting back or deferring construction projects, increasing taxes and public-university tuition, and by slashing aid to localities, a move which often results in layoffs of police officers and firefighters. All of these actions add to the severity of the downturn, bringing lay offs of even more workers and further burdens to citizens.

We suggest spending $50 billion on state aid in the first year and increasing spending to $75 billion in the second. The most effective measures would split funds between flexible block grants for general revenue sharing (in order to prevent cuts in funding for education and other vital state programs), and a temporary increase in federal matching funds for Medicaid (in order to address the increase in demand for Medicaid and avoid cuts in health care that would lead to a sharp rise in the number of uninsured).

As the Zandi modeling shows, aid to states has a relatively high stimulus impact per dollar spent, since the money is put to use immediately, and forestalls cutbacks and tax increases that would reinforce the downturn.[10] The Kaiser Commission on Medicaid and the Uninsured also studied the role Medicaid plays in state and local economies and found that Medicaid spending generates economic activity, including jobs, income and state tax revenues, while reductions in state and federal Medicaid will lead to declines in economic activity at the state level.[11]

Investment in Public Education. Across the country, states are limiting or cutting back aid to universities. America's great public universities, which allowed millions to join the middle class, no longer get most of their funding from state appropriations. This has led to sharp increases in the costs borne by students and their families. Federal aid programs have not kept up with these rising costs.

In 1979, the highest level of Pell Grants, which provide aid to the students most in need, covered up to three quarters of the average cost of attending a four-year public college. To return to that level of support, and to make college affordable for thousands more students by expanding eligibility for Pell Grants, would cost $35 billion annually.[12] This aid could be dispensed quickly through existing mechanisms and would help to reduce downward pressure on labor markets by bringing potential students into school. The importance of a college education will only grow in the years ahead.

Many middle-class and low-income families rely on federally-subsidized student loans to help pay for college education, and more are expected to seek federal loans as their investments and income suffer during the economic downturn. Despite passage and extension of the Ensuring Continued Access to Student Loans Act, federal student aid programs—which include Stafford, Perkins, and PLUS loans—currently face a budget shortfall of approximately $5 billion.[13] We recommend fully funding federal student aid programs, while expanding direct lending to secure the student loan market. Not only will this investment provide needed support to students and schools, it will generate a positive return as the loans are repaid.[14]

Research and Development. Public investment in research and development – both military and non-military – now represents less than one-half the share of GDP that it did at its height in the 1960s.[15] Increased productivity and national income growth is inherently linked to R&D investment that stimulates innovation and facilitates transmission of new technologies. For this country to compete and thrive in a global economy, staying on the cutting edge of research and development is vital. This expansion should be continued even after the economy recovers, and will be paid for by rising revenues. There is no better investment in our future.

The Association of American Universities is currently gathering figures from the national research centers to estimate the level of funding these agencies could easily absorb in one to two years. We conservatively estimate an increase of $5 billion in the first year and $10 billion in the second.

Health Care. In addition to meeting a very real need, this crisis provides an opportunity to increase access to and lower the cost of health care. Providing federal support to expand the State Children's Health Insurance Program and increasing access to Medicaid would help reduce state-budget shortfalls and strengthen the health-care safety net at a time when more families will be forced to rely on it. There is also potential to use stimulus investments to promote systemic changes that will spur economic growth in the short-term and improve quality and cost-effectiveness of care in the long-term. For instance, providing incentives for hospitals and physicians to adopt electronic medical record systems could yield more than $80 billion in annual savings.[16] We recommend investing a total of approximately $15 billion in targeted health care projects in the first year and $55 billion in the second, as a down-payment on comprehensive health care reform.

Aid to Those in Need. Economic downturns hit the weakest and poorest families hardest. The poorest families have the fewest resources on which to draw in the event of a job loss or drop in income. Assistance given to them will be spent immediately on food and medicine, and on rent and car loans.[17] Providing aid to those most in need is not only the morally right thing to do, it makes the most economic sense. Estimates by Moody's Economy.com indicate that each dollar in tax cuts that include low-income households increases real GDP by $1.29, whereas tax reductions for capital gains and dividends yield less than 40 cents of real GDP growth on the dollar.[18]

Providing jobless workers with assistance affording COBRA health insurance premiums would help families avoid drawing down their savings to remain healthy. Based on Congressional Budget Office modeling, offering a 75 percent subsidy to all eligible workers is estimated to cost $11.75 billion over two years.[19]

Modernizing the unemployment insurance system to meet the needs of the contemporary workforce would cost approximately $7.5 billion.[20] Funds for this investment will be provided by an extension of the Federal Unemployment Tax Act (FUTA) surtax.

A temporary 20 percent increase in the food stamp benefit would cost approximately $15 billion and would enable millions of low-income families to cope with rapid increases in food costs.[21] The Center for American Progress' Task Force on Poverty estimates that the number of Americans living in poverty could be reduced by more than a quarter through an annual investment of $38 billion to increase the Earned Income and Child Tax Credits, raise the minimum wage, and expand access to child care.[22] Pre-K Now recommends the federal government invest about $1 billion a year in incentive grants to states to extend their pre-kindergarten programs. The Center on

Budget and Policy Priorities believes states could spend an additional $1 billion in the first year and $1.5 billion in the 2nd year, in child care and an equivalent amount in Head Start for a total of $5 billion over 2 years for these two programs. In all, $80 billion would be devoted to the purpose of reducing poverty.

Tax Cuts. A total of $450 billion of spending in the first year is the minimum necessary to provide a real stimulus. Public investment provides the most stimulus effect, but a decade of starvation has left many public entities without the capacity to absorb all of the needed spending in the first year. Moreover, although the tax cut earlier this year did not adequately translate into consumer buying, the rapidly deteriorating job market since then suggests that millions of low- and middle-income Americans are struggling to meet their daily obligations, and therefore are more likely to spend the proceeds of any tax relief they get.

The Economists' Policy Group on Women's Issues calls for the expansion of public support for paid home-care workers; tax credits for family members providing for their own disabled, elderly, and infirm; and a significant increase in the child credit, making it fully refundable, to provide tax relief to those who need it most. We therefore propose $145 billion of tax relief in a refundable rebate targeted to low- and middle-income taxpayers in the first year, replaced by increased public investment in the second.

Conclusion

Properly designed, the recovery program can not only help the economy get back on its feet, but also provide a down payment for a more productive and just society. The deficits involved in the first two years – along with those incurred by the financial bailout – will be significant, but they will be far less costly than allowing this recession to descend into a depression—a direction in which we could very well be headed.

Total Proposed Stimulus Spending for Two Years
(in billions of dollars)

	Year One	Year Two
Green Investment[23]	$50	$50
Infrastructure[24]	$75	$150
Aid to States[25]	$50	$75
Education[26]	$40	$40
Research and Development[27]	$5	$10
Health Care[28]	$15	$55
Unemployment Insurance and COBRA Subsidy[29]	$15	$15
Food Stamps[30]	$15	$15
Poverty Reduction[31]	$40	$40
Middle-Class Tax Cut[32]	$145	-
Total Over Two Years	**$900 billion**	

Footnotes

[1] Zandi, Mark M. 2008. "Assessing the Macroeconomic Impact of Fiscal Stimulus 2008." *Moody's Economy*. http://www.economy.com/mark-zandi/documents/assissing-the-impact-of-the-fiscal-stimulus.pdf
[2] Pollin, Robert; et al. 2008. *Green Recovery: A Program to Create Good Jobs and Start Building a Low-Carbon Economy*. Center for American Progress and the Political Economy Research Institute. http://www.peri.umass.edu/fileadmin/pdf/other_publication_types/peri_report.pdf
[3] Hendricks, Bracken and Benjamin Goldstein. 2008. "A Strategy for Green Recovery: Stimulating the Economy Today by Rebuilding for Future Prosperity." Center for American Progress. http://www.americanprogressaction.org/issues/2008/green_recovery_policy.html.
Hendricks and Goldstein suggest a package of investments to be made over two years that will have a stimulative effect in as little as a few months. These investments include programs to promote trade-ins of old, inefficient cars and household investments in home weatherization.
[4] American Society of Civil Engineers. 2008. *Report Card for America's Infrastructure.* http://www.asce.org/reportcard/2005/actionplan07.cfm
[5] Federal Highway Administration. 2007. "Deficient Bridges by State and Highway System." http://www.fhwa.dot.gov/BRIDGE/defbr07.cfm
[6] National Center for Education Statistics. 2007. *Public School Principals Report on Their School Facilities: Fall 2005*. http://nces.ed.gov/pubs2007/2007007.pdf
[7] American Society of Civil Engineers. 2008. *Ibid*.
[8] Irons, John and Ethan Pollack. 2008. "Policy Memorandum 132: A Rescue Plan for Main Street. Economic Policy Institute." http://www.epi.org/policy/132/pm132.pdf. Note: the Congressional Budget Office reported that an annual infrastructure investment of $184.8 billion (in 2004 dollars) would be "economically justifiable." (http://cbo.gov/ftpdocs/95xx/doc9534/MainText.1.2.shtml)
[9] See:Elizabeth C. McNichol and Iris Lav. 2008. "Thirteen States Face Total Budget Shortfall of at Least $23 Billion in 2009." Center on Budget and Policy Priorities at: http://www.cbpp.org.. http://www.cbpp.org/12-18-07sfp.htm.
[10] Zandi. 2008. *Ibid*.
[11] Kaiser Commission on Medicaid and the Uninsured. April 2004. "The Role of Medicaid in State Economies: A Look at the Research."
[12] Rethinking Student Aid Study Group. 2008. *Fulfilling the Commitment: Recommendations for Reforming Federal Student Aid.* http://professionals.collegeboard.com/profdownload/rethinking-stu-aid-fulfilling-commitment-recommendations.pdf
This estimate includes expanding the Pell Grant program to include students and families with incomes of up to 300 percent of the federal poverty level (an increase from the current eligibility limit of 250 percent of the poverty level) and increasing the maximum grant from the current level of $4,731 to $10,000. The estimate draws on data and modeling from the Brookings-Urban Tax Policy Institute.
[13] Department of Education. 2008. "Fiscal Year 2009 Congressional Budget Action." http://www.ed.gov/about/overview/budget/budget09/09action.pdf
[14] Congressional Budget Office. 2008. "Cost Estimate for H.R. 5715: Ensuring Continued Access to Student Loans Act of 2008." http://www.cbo.gov/ftpdocs/92xx/doc9213/hr5715.pdf
[15] Office of Management and Budget. 2008. *Budget of the United States Government: Historical Tables.* http://www.whitehouse.gov/omb/budget/fy2009/pdf/hist.pdf
[16] Congressional Budget Office. 2008. *Evidence on the Costs and Benefits of Health Information Technology*. http://cbo.gov/ftpdocs/95xx/doc9572/MainText.3.1.shtml
[17] Congressional Budget Office. 2008. *Options for Responding to Short-Term Economic Weakness*. http://cbo.gov/ftpdocs/89xx/doc8916/01-15-Econ_Stimulus.pdf
[18] Zandi, Mark. 2008. "Washington Throws the Economy a Rope." Moody's. http://www.economy.com/dismal/article_free.asp?cid=102598
[19] CBO scoring of HR 3090 (2001), the Economic Security and Assistance for American Workers Act. http://cbo.gov/doc.cfm?index=3162&type=0.
Based on current trends, we assume an unemployed population of 12 million. Estimates of COBRA eligibility range from 57 percent to 66 percent; we assume 60 percent eligibility and use the CBO's assumption of 75 percent

participation among those eligible. We have also adjusted the Congressional Budget Office's calculations to reflect inflation and increases in the cost of health insurance.

[20] Center for American Progress and National Employment Law Project. 2008. *Helping the Jobless Helps Us All. http://www.nelp.org/page/-/UI/HelpingJoblessHelpsAll.pdf*

[21] Rosenbaum, Dorothy. 2008. "Food Stamp Benefits Falling Further Behind Rising Food Prices." Center for Budget and Policy Priorities. http://www.cbpp.org/7-22-08fa.htm

[22] Center for American Progress Task Force on Poverty. 2008. *From Poverty to Prosperity: A National Strategy to Cut Poverty in Half.* http://www.americanprogress.org/issues/2007/04/poverty_report.html

[23] The University of Massachusetts' Political Economy Research Institute and the Center for American Progress found that the United States can create 2 million green jobs over two years by investing nearly $100 billion in six green infrastructure areas: retrofitting buildings to improve energy efficiency, expanding mass transit and freight rail, constructing "smart" electric grid systems, developing wind and solar power, and promoting next-generation biofuels. The estimates here include $50 billion for tax credits to promote green investments, $4 billion in federal loan guarantees for green building projects, and $40.4 billion in direct federal investment.
Pollin, Robert; et al. 2008. *Green Recovery: A Program to Create Good Jobs and Start Building a Low-Carbon Economy*. Center for American Progress and the Political Economy Research Institute. and Hendricks, Bracken and Benjamin Goldstein. 2008. "A Strategy for Green Recovery: Stimulating the Economy Today by Rebuilding for Future Prosperity." Center for American Progress.
http://www.americanprogressaction.org/issues/2008/green_recovery_policy.html.

[24] A variety of projects-- including transit projects, improving drinking water and wastewater systems, school repair and modernization, repairing roads, and school repair and maintenance-- that total over $61 billion are "ready to go."
Testimony of John S. Irons, Ph.D. Research and Policy Director Economic Policy Institute, Before the U.S. House of Representatives Committee on Transportation and Infrastructure Hearing on: "Infrastructure Investment and Economic Recovery". Wednesday October 29, 2008. http://www.epi.org/webfeatures/testimony_20081029.pdf
Note: the Congressional Budget Office reported that an annual infrastructure investment of $184.8 billion (in 2004 dollars) would be "economically justifiable."

[25] Twenty-nine states closed shortfalls totaling $48 billion in their FY2009 budgets. These deficits are expected to grow to an estimated $100 billion nationwide in 2010.
Elizabeth C. McNichol and Iris Lav. 2008. "Thirteen States Face Total Budget Shortfall of at Least $23 Billion in 2009." Center on Budget and Policy Priorities. http://www.cbpp.org/12-18-07sfp.htm.

[26] In 1979, Federal Pell Grants covered three quarters of the cost of attending a four year college or university. Returning to that level of support would cost $34.5 billion a year, according to the Rethinking Student Aid Study Group. Over two years that would require $69 billion to fund Pell Grants.

[27] According to http://www.nea.org/lac/funding/images/federal percent20underinvestment.pdf, shortfalls in K-12 Education R & D Funding for FY 2009 will be $2.6 billion. For two years, we propose $5.20 billion. According to the Association of American Universities, the Graduate Education gap for FY 2009, the difference between funds requested and funds allocated, is $5 million. We propose $10 million for two years. According to the Association of American Universities, the International Education gap for FY2009, the difference between funds requested and funds allocated, is $27 million which is $54 million for two years. The NIH gap for FY 2009, the difference between funds requested and funds allocated according to the Association of American Universities is $1.87 billion. Extended to two years is $3.74 billion. Although the AAU is still working on producing number for their members on what R & D funds could be easily absorbed, according to the Organisation for Economic Co-operation and Development, Main Science and Technology Indicators (2006)., the US could increase non-defense R&D spending by 0.4 percent of GDP to reach Germany's share at 2.5 percent GDP and would have to increase by 1 percent of GDP to reach Japan's share at 2.5 percent.

[28] Senator Jay Rockefeller, chair of the Finance Subcommittee on Health Care, has proposed legislation allocating increased federal Medicaid and SCHIP payments to states based on need. Estimates included in the legislation call for additional investments of $2.5 billion in 2008 and $3.5 billion in 2009 (S 2819: Economic Recovery in Health Care Act of 2008, http://thomas.loc.gov/cgi-bin/query/z?c110:S.2819:)
According to the Congressional Budget Office, expanding eligibility for enrollment in SCHIP—as proposed by Congress in bills that were vetoed by President Bush—would cost an additional $2.4 billion in 2008 (for a total SCHIP expenditure of $7.8 billion) and an additional $4.9 billion in 2009 (for a total of $9.6 billion).

Congressional Budget Office. 2007. *CBO's Estimate of the Effects on Direct Spending and Revenues of the House Amendments to the Senate Amendments to H.R. 976, the Children's Health Insurance Program Reauthorization Act of 2007*. http://www.cbo.gov/ftpdocs/86xx/doc8655/hr976.pdf
The cost of implementing a nationwide, interoperable electronic medical records system has been estimated at $7.6 billion a year over an adoption period of 15 years. Making the entire cost of a new electronic medical records system tax-deductible would cost less than $7.6 billion.
Richard Hillestad, James Bigelow, Anthony Bower, Federico Girosi, Robin Meili, Richard Scoville, and Roger Taylor, "Can Electronic Medical Record Systems Transform Health Care? Potential Health Benefits, Savings, And Costs**,"** *Health Affairs*, September/October 2005; 24(5): 1103-1117.
http://content.healthaffairs.org/cgi/reprint/24/5/1103.pdf)

[29] Modernizing Unemployment Insurance would require federal incentives of approximately $7 billion, which could be broken up over several years. It would also require a federal investment of $500 million to help states meet administrative costs.
Center for American Progress and National Employment Law Project. 2008. *Helping the Jobless Helps Us All. http://www.nelp.org/page/-/UI/HelpingJoblessHelpsAll.pdf*
Funds for this investment will be provided by employer taxes levied by a temporary extension of the Federal Unemployment Tax Act (FUTA). Funding unemployment modernization in this manner ensures that this investment will provide economic stimulus without contributing to the federal deficit.
Providing jobless workers with assistance affording COBRA health insurance premiums will cost approximately $11.75 billion over two ears, according to estimates made using Congressional Budget Office modeling.
CBO scoring of HR 3090 (2001), the Economic Security and Assistance for American Workers Act.
http://cbo.gov/doc.cfm?index=3162&type=0.

[30] A 20 percent increase in food stamp benefits would cost $15 billion and would enable millions of low-income families to purchase basic dietary necessities. USDA’s Economic Research Service reports that using the food stamp program for economic stimulus would “result in increased demand and production in the agriculture and food sectors, stabilizing economic activities in these key rural sectors during downturns in the economy.”
Rosenbaum, Dorothy. 2008. "Food Stamp Benefits Falling Further Behind Rising Food Prices." Center for Budget and Policy Priorities. http://www.cbpp.org/7-22-08fa.htm#_ftnref10

[31] An annual investment of $38 billion will lower the poverty rate by one quarter through expanded tax cuts and work support programs and by raising the minimum wage.
Pre-K Now believes the federal government should invest in incentive grants that would go to states to greatly improve their respective state pre-k programs. The cost is estimated at $6 billion over 6 years. For two years we estimate $2 billion.
Jason T. Hustedt, Allison H. Friedman, Judi Stevenson Boyd and Pat Ainsworth. The State of Preschool 2007. National Institute for Early Education Research. 2007, http://nieer.org/yearbook/pdf/yearbook.pdf. The Investment Deficit in America: Yesterday’s Achievements, Today’s Problems, Tomorrow’s Solutions.
Center for American Progress Task Force on Poverty. 2008. *From Poverty to Prosperity: A National Strategy to Cut Poverty in Half.* http://www.americanprogress.org/issues/2007/04/poverty_report.html

[32] The Brookings-Urban Institute Tax Policy Center estimates that a fully-refundable tax rebate of $800 ($1,600 for couples and $1,2000 for heads of household) would benefit over 122 million Americans and cost approximately $153.9 billion.

Endorsers

The undersigned have endorsed the Main Street Recovery Program.

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