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**OBAMA STIMULUS PACKAGE DOES LITTLE TO ADDRESS INCOME AND  
EMPLOYMENT DISPARITIES IN U.S. ECONOMY, ACCORDING TO  
A NEW SPECIAL REPORT FROM THE LEVY ECONOMICS INSTITUTE**

ANNANDALE-ON-HUDSON, N.Y.—When President Obama signed the \$787 billion American Recovery and Reinvestment Act (ARRA) in February, his administration estimated that the package of spending increases and tax cuts would create or save approximately 3.5 million jobs by the end of 2010. While the transfers and tax cuts included in the legislation are expected to support aggregate demand and provide relief to low-income and vulnerable households especially hurt by the economic crisis, a new Special Report from The Levy Economics Institute of Bard College offers a preliminary assessment of ARRA, and contends that the package will do little to address income inequality or improve the employment prospects for those considered disadvantaged in the labor market. Overall, the report finds that Obama’s stimulus plan will have a palliative rather than a curative effect on the employment crisis.

In the Special Report *Who Gains from President Obama’s Stimulus Package ... And How Much?* Levy Senior Scholar Ajit Zacharias and Research Scholars Thomas Masterson and Kijong Kim construct a baseline scenario against which the effects of the Act can be assessed. They then estimate the increase in employment by industry and occupation, and simulate the accompanying effects of changes in earnings on the distribution of money income. Looking at job creation, the Levy scholars find that, remarkably, their “medium” scenario for potential jobs gained is identical to the administration’s estimate. However, they conclude that, given the number of jobs already lost, the stimulus will have only an ameliorating impact. Furthermore, they assert that the government could have achieved more at the same cost by skewing the stimulus package toward outlays rather than tax cuts. “We found that the amount of stimulus required per new job created was much higher for taxes than outlays under all scenarios,” the authors write. “Each additional job would cost

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approximately \$69,000 in tax cuts versus \$52,000 in spending increases in the ‘medium’ scenarios, and \$110,000 versus \$69,000 in the ‘high’ scenarios.”

Exploring the equity aspects of the job creation under ARRA, the report finds that women are likely to gain more jobs than the number they have lost in the current recession; consequently, their level of employment will be slightly higher than at the start of the recession as a result of the legislation. Whites lose ground in employment relative to the start of the recession even with ARRA, while nonwhites make no significant gain. Individuals who have not graduated from high school will suffer the largest loss, say the authors, even after accounting for the employment gains from ARRA, followed by those with just a high school degree. Looking at income inequality, the Special Report estimates that ARRA will improve the shares of all groups in aggregate income except the topmost. Yet, the authors conclude that the pro-poor pattern of income growth under ARRA “represents only a small compensation for the losses suffered between 1999 and 2007 for the bottom 60 percent of the distribution. The legislation’s likely effect on overall inequality in money income might be negligible, since it does not address systemic inequality in the economy.”

To conclude, Zacharias, Masterson, and Kim suggest that the stimulus plan needs a more direct job creation component to address inequalities and create sustainable growth. “Our analysis points toward the necessity for a comprehensive employment strategy that goes well beyond ARRA,” they write. “The need for public provisioning of various sorts—ranging from early childhood education centers to public health facilities to ‘greening’ of public transportation—coupled with the severe underutilization of labor naturally suggests an expanded role for public employment as a desirable ingredient in any alternative strategy. Government policies and priorities have to be radically refashioned to place the country on a sustainable and equitable growth path.”

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Special Report: *Who Gains from President Obama’s Stimulus Package ... And How Much?*

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