CBPP STATEMENT

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STATEMENT BY ROBERT GREENSTEIN, EXECUTIVE DIRECTOR, ON THE CONFERENCE AGREEMENT ON THE RECOVERY PACKAGE

The economic recovery agreement is a major achievement that should provide timely and substantial stimulus to the deteriorating economy.

The agreement improves significantly on the Senate bill, paring back several costly Senate-passed tax cuts that would have provided little "bang for the buck" in terms of economic stimulus, while restoring some resources for a number of higher "bang for the buck" items. For example, compared to the Senate bill, the agreement provides more and better targeted funding for state fiscal relief and expanded tax credits for low-income families that likely will spend them.

Conferees wisely rejected the Senate's large expansion of the homebuyers' tax credit, which would have mainly benefited people who would have bought houses anyway, in favor of a smaller, better-targeted measure. They also reduced the Senate's credit for car purchases, which similarly would have mostly helped taxpayers who would have bought their cars anyway.

Unfortunately, the conferees dropped a House provision to provide health coverage to low-income workers who lose their jobs during this recession, and they provided a lower amount for state fiscal relief than is warranted. Facing $350 billion in budget shortfalls through 2011, states have begun raising taxes and cutting health programs, education, and services for people who are elderly or have disabilities. These cuts will worsen the downturn by removing money from the economy while also increasing hardship for some of the nation's most vulnerable individuals. These cuts are certain to grow much deeper and more widespread in the months ahead.

The conferees also provided $70 billion in Alternative Minimum Tax relief. Without it, the package would have failed to get the necessary 60 votes in the Senate, so conferees had little choice but to include it. But the provision doesn't belong in the recovery package. The Urban Institute-Brookings Institution Tax Policy Center has concluded that it "would provide virtually no economic stimulus." This relief merely continues current policy, and the benefits go overwhelmingly to higher-income taxpayers, who will likely save rather than spend much of the money. By substituting AMT relief for some state fiscal relief, health coverage, and other such items, the conferees made the package less effective in saving jobs than it could have been.

The final agreement is far from perfect. But, on the whole, it remains quite well designed to provide substantial stimulus quickly. In fact, it is the best stimulus package to combat a recession that I have seen in my 36 years in Washington.

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