



## **BARACK OBAMA'S PLAN TO STIMULATE THE ECONOMY**

Barack Obama's economic plan will inject \$75 billion of stimulus into the economy by getting money in the form of tax cuts and direct spending directly to the people who need it most. Obama's proposal will immediately provide stimulus using means that do not require lengthy governmental or administrative delays. The plan also reserves an additional \$45 billion of stimulus that can be injected into the economy quickly in the future if the economy continues to deteriorate.

For most Americans, this is a time of great economic anxiety. People are working harder for less and paying more for everything from health care, to college tuition, to filling up the gas tank. Recent data reveals that the unemployment rate has experienced its sharpest monthly increase since 2001 the last time the economy fell into recession. Jobs have been lost in a wide range of industries, including construction, manufacturing, retail and the financial services. Last month only 18,000 jobs were created – a tiny fraction of the 125,000 jobs the economy needs to generate each month to keep pace with population growth.

Limited job growth has been coupled with inflation that is outpacing increases in average wages, meaning that even those who keep their jobs have less buying power. Consumer confidence levels are the lowest they have been since Hurricane Katrina and consumers are starting to cut back on spending as evidenced by lower-than-expected holiday sales with automobile purchases falling to their lowest level in a decade.

Strengthening our economy will be Barack Obama's priority from day one as president. Months ago he outlined a comprehensive package of economic reforms to help ease the burdens on middle-class and working families while making progress on achieving long-run budget balance. But with the economy getting worse by the month, Americans cannot afford to wait until the next president takes office to take action. Obama believes the government should take steps to restore the confidence of consumers and businesses that we will not let things get worse and encourage them not to cut back further on their spending and investment.

Experts agree that an effective stimulus package must provide immediate, temporary, direct economic relief targeted to the people who need it and are most likely to use the funds and increase the level of economic activity in their communities without permanently increasing the budget deficit. The goal should be to lessen the pain that would occur from an economy-wide slowdown, not to use Americans' economic hardship as a rationale for enacting an ideologically driven policy agenda.

### **Barack Obama's Plan to Stimulate the Economy and Protect American Families**

- Provide an immediate \$250 tax cut for workers and their families.
- Provide an immediate, temporary \$250 bonus to seniors in their Social Security checks.
- Provide an additional \$250 tax cut to workers and an additional \$250 to seniors if the economy continues to worsen
- Provide relief to homeowners hit by the housing crisis.
- Provide aid to states hardest-hit by the housing crisis to avoid a slash in services.
- Extend and expand Unemployment Insurance.

## **I. PROVIDE AN IMMEDIATE TAX CUT FOR WORKERS & THEIR FAMILIES**

Barack Obama believes we must restore fairness to the tax code. Months ago, recognizing the squeeze on working people in this country and the economic difficulties they were confronting, Obama proposed tax relief of up to \$500 for 150 million workers. This refundable income tax credit will provide direct relief to American workers facing the regressive payroll tax system, offsetting the payroll tax on the first \$8,100 of earnings while preserving the important principle of a dedicated revenue source for Social Security. The economy has weakened significantly. Obama believes we cannot wait until he becomes president to give workers the tax relief they need. He believes we should make half of the tax credit, \$250 per worker, available immediately in order to quickly get money into the pockets of Americans. This will help maintain consumer spending, strengthen the economy and ease the squeeze so many Americans are currently experiencing. If there is a three-month cumulative decline in employment, Obama believes we should immediately provide the remaining portion of that tax credit, an additional \$250 per worker. **Stimulus: \$35 billion. Additional Reserve: \$35 billion.**

## **II. PROVIDE AN IMMEDIATE SUPPLEMENT TO SOCIAL SECURITY FOR LOW- AND MIDDLE-INCOME SENIORS**

Research suggests that older Americans are particularly likely to spend rather than save additional money they receive. Obama understands that seniors living on fixed incomes are squeezed by higher prices. Obama is calling for providing middle- and low-income seniors – who would not benefit from the workers' tax credit – an immediate, one-time \$250 supplement to their Social Security benefit. And if there is a three-month cumulative decline in employment an additional temporary supplement of \$250 per Social Security beneficiary should be provided. These payments would not alter the Social Security program and would not use revenue from the Social Security trust funds. This would provide immediate consumer spending in a feasible way. By piggy-backing on the Social Security Administration's highly efficient payment system, these supplemental payments will stimulate consumer spending in the most rapid way possible. **Stimulus: \$10 billion. Additional Reserve: \$10 billion.**

## **III. ESTABLISH A \$10 BILLION FUND TO HELP FAMILIES AVOID FORECLOSURE**

In addition to taking important steps to prevent mortgage fraud from occurring in the future and to prevent credit cards from turning into the next subprime housing crisis, Barack Obama has called for establishing short and long-term programs to help responsible homeowners facing foreclosure. Obama's plan will help people stay in their homes and renegotiate with their lenders. It will not help speculators, people buying vacation homes or people that falsely represented their incomes. It is meant to help responsible homeowners through this difficult period. Given the downturn in the economy, Obama is calling for immediate creation of his Foreclosure Prevention Fund that will dramatically increase emergency pre-foreclosure counseling, and will work through the Federal Housing Administration, Fannie Mae and Freddie Mac to allow families facing foreclosure to responsibly refinance their mortgages or sell their homes. By helping families avoid losing their homes and preventing a further decline in property values, this measure will help lessen the impact of a national foreclosure crisis on state, local and family budgets. Obama was one of the first to speak out about the risks of fraudulent and deceptive lending practices. He will build off of that experience and his work with community based organizations to bring American homeowners and housing markets effective relief when he is president. **Stimulus: \$10 billion.**

## **IV. PROVIDE \$10 BILLION IN RELIEF FOR STATE & LOCAL GOVERNMENTS HARDEST-HIT BY HOUSING CRISIS TO PREVENT CUTS IN SERVICES SUCH AS HEALTH, EDUCATION & INFRASTRUCTURE**

Because of the housing crisis and the weakening economy, many state and local governments are facing significant revenue shortfalls. Already, 19 states have a projected budget shortfall for their next financial year and balanced budget requirements in most states will force them to cut programs or raise taxes in the face of the downturn. This will worsen America's economic slowdown and leave millions

without a safety net. State and local governments provide important services to low and middle-income families, including services like health care, housing, and income assistance that are particularly necessary during a recession. In addition, as the economy slows, it is important that state and local governments not postpone major infrastructure spending since doing so would exacerbate the economic slowdown. Barack Obama believes that in the areas hardest-hit by the housing crisis we should provide immediate, temporary funding to state and local governments so that the decline in property values does not cause them to slash critical public services and cut vital infrastructure spending. Obama's plan will provide \$10 billion in immediate relief to the states and localities hardest hit by the housing crisis.

**Stimulus: \$10 billion.**

## V. **EXTEND AND EXPAND UNEMPLOYMENT INSURANCE**

The last time America had a jump in the unemployment rate as large as the most recent one it indicated the start of a recession. But in many ways, our current situation is worse than when the 2001 recession began. The long-term unemployment rate – the share of workers having been unemployed for at least six months – is nearly twice as high now as it was then. Barack Obama believes we must extend and strengthen the Unemployment Insurance (UI) program to address the needs of the long-term unemployed, who currently make up nearly one-fifth of the unemployed and are often older workers who have lost their jobs in manufacturing or other industries and have a difficult time finding new employment. As job growth stagnates, the long-term unemployed face additional difficulties re-entering the job market. Providing these workers additional assistance in a time of economic distress is necessary to ensure consumer spending remains at an acceptable level and that they have a chance at restarting their careers. Expanding UI is one of the most effective ways to combat economic turmoil; every dollar invested in UI benefits results in \$1.73 in economic output. Obama is calling for a temporary expansion of the UI program for those who have exhausted their current eligibility. Obama also believes that the extension of UI benefits should be coupled with an expansion of UI eligibility to more workers, including many part-time and non-traditional workers who are currently left out of the program. **Stimulus: \$10 billion.**