

FactCheck.org: A look at claims about the stimulus bill

Contributed by Lori Robertson and Justin Bank of FactCheck.org
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In recent weeks, in his pitches to Congress and the public on the need to pass the economic stimulus bill, President Barack Obama has made several claims about what it would do. (Republicans, too, have made stimulus boasts of their own.) But these pronouncements are not a sure thing:

- Obama repeatedly said the plan "will save or create up to 4 million jobs." Obama downgraded that estimate to 3.5 million once the House and Senate agreed on a less-expensive compromise bill. The projections come from at least three economists, but all say there is great uncertainty in their estimates.
- Republican House members claimed their substitute legislation tops that, creating "6.2 million jobs." But their calculation is even more fraught with uncertainty and is not backed up by independent economists.
- Obama said the bill doesn't contain "a single earmark." But whether one calls them "earmarks" or not, the Senate certainly added items that will benefit particular states. For example: \$50 million for programs under the California-Bay Delta Act and \$500 million for National Institutes of Health facilities in Bethesda, Md.
- Obama claims that funds in the bill will result in "every American" having health records computerized "within five years." But experts doubt it can be done that quickly.
- The president also says electronic health records will save billions of dollars. But the Congressional Budget Office says that even a decade of expected savings are unlikely to pay back the government what the government will spend on health IT.
- The president said the bill will modernize the nation's electricity grid, reducing consumption by 2 percent to 4 percent. That's optimistic. Industry reports say that a new grid could reduce energy consumption by up to 4 percent, but not until 2030 and at a cost much greater than the stimulus bill would cover.

Analysis

Amid much debate and disagreement over an economic stimulus package, President Obama has been pushing a bill that he says will help the economy and American workers in all sorts of ways. The two chambers of Congress have agreed on compromise legislation that comes close to what Obama backed.

In his prime-time press conference Feb. 9, an op-ed that was published in the Washington Post and in speeches to both the public and government employees, Obama has made his case again and again, citing various claims about what the bill would do. We take a look at a few of his not-so-certain pronouncements.

Jobs, jobs, jobs

In the Feb. 9 press conference, Obama said: "And that is why the single most important part of this Economic Recovery and Reinvestment Plan is the fact that it will save or create up to 4 million jobs — because that's what America needs most right now."

The president, along with stimulus supporters, has made this claim several times, stating that the House bill would create either 3 million or 4 million jobs by the end of 2010. On Feb. 11, Congress agreed on compromise legislation, which is \$20 billion to \$40 billion less expensive than bills passed by the two chambers; Obama said that bill would create 3.5 million jobs. The numbers are based on projections made by several economists — but those economists aren't completely sure. They can't be. As we pointed out recently on The FactCheck Wire, economic modeling is relatively new, and largely untested, particularly with the kind of recession figures we're seeing today. Obama would do better to say "could create" or "experts estimate," rather than making such a definitive claim.

Mark Zandi, chief economist at Moody's Economy.com, told the House budget committee on Jan. 27 that the House bill would lead to 3 million more jobs by the end of 2010 than there would be without the stimulus. A week earlier, he put the number at 4 million. But, as he told the Associated Press, there's no guarantee.

Zandi, quoted by the AP: "The models are based on historic experience. And we're outside anything we've experienced historically. We're completely in a world we don't understand and know."

The nonpartisan Congressional Budget Office gave a significant range in its job creation figures, saying that the bills would create anywhere from 1.2 million to 3.6 million jobs by the end of next year.

Christina Romer, chair of the Council of Economic Advisers, and Jared Bernstein, from Vice President Biden's office, published a report in early January that said between 3.3 million and 4.1 million jobs would be created as the result of a slightly smaller recovery plan. But, they acknowledged, "[T]here is considerable uncertainty in our estimates: both the impact of the package on GDP and the relationship between higher GDP and job creation are hard to

estimate precisely." They called their range "reasonable";

Yet another economist, Allen Sinai, founder of Decision Economics Inc, has said the stimulus could save 3 million to 4 million jobs as well. But, he told the New York Times, "I'm not sure I believe my own models. We're in uncharted waters here."

With several economists coming up with similar figures, Obama seems to be on fairly safe ground. Still, Nobel laureate economists can't agree on whether the stimulus bill contains the right kind of measures to aid the crisis-plagued economy or how much help spending and tax relief will bring. Nor can the economists the president relies on present their projections with a high degree of certainty. Obama might be right about the job-creation ability of the plan, but it's also possible the effect of the stimulus will be more in line with the low end of CBO's range — or, in fact, it could have no effect at all.

Jobs, jobs, jobs — the Republican version

House Republican Leader John Boehner and Republican Whip Eric Cantor have repeatedly claimed that a GOP alternative stimulus plan would create "twice the jobs as the House Democrats' plan at half the cost" — that's 6.2 million jobs, according to Boehner. Sounds even better, right? If only someone could be certain of that number.

The figure comes from the House Republicans' own calculations. When we asked whether any independent economists endorsed the Republican claims, a spokesman for the Republican staff of the Ways and Means Committee produced none. CBO did not analyze the GOP's substitute, which failed by a vote of 170 to 266 on Jan. 28.

How did Republicans arrive at their 6.2 million figure? The Web site of Rep. Dave Camp, the ranking Republican member of the Committee on Ways and Means and a sponsor of the substitute, explains that the GOP's estimate is based on a 2007 paper by economists Christina and David Romer, a husband-wife team at the University of California, Berkeley. Yep, that's the same Christina Romer who is now chair of Obama's Council of Economic Advisers.

The Romers' analysis of tax changes since World War II concluded that "tax changes have very large effects" on the economy. Specifically, they said their data suggested that a "tax increase of 1 percent of GDP [gross domestic product] lowers real GDP by about 3 percent" or lower, but at least by 2.2 percent. Flipping the Romers' calculations, GOP staffers figured that a tax cut of 1 percent of GDP would produce growth of 2.2 percent. Then, using a different report (Christina Romer's analysis of Obama's plan), the Republicans further calculated that their own party's proposed cuts would yield 6.2 million jobs over two years.

Republicans point to Romer's position in Obama's administration, as if to prove their figures are justified. However, these aren't her calculations. Plus, the Romers stressed in that 2007 report that their estimates were larger than other economists had come up with and "are not highly precise." (Indeed, in the CBO's analysis, which it says gives a range that "encompasses a majority of economists' views," the nonpartisan group gives a high and low multiplier for several government measures; the tax cut multiplier ranges from 0.5 to 1.7.) More recently, Christina Romer, in a Jan. 9 paper estimating the effects of the Democratic plan, didn't use the 2.2 multiplier even though that meant a lower job estimate for the tax cuts in Obama's plan. Instead, she used a 1 percent multiplier.

We were unable to contact Romer directly, but a White House spokesperson told us the GOP analysis "makes a fundamental error" by assuming that added jobs from tax cuts would show up by the end of next year. "It fails to take into account the fact that tax changes affect the economy with delays," the spokesperson said. Actually, even if the 2.2 multiplier were correct, the number of jobs added due to the GOP's proposed tax cuts would be only 1.7 million by the end of next year, according to White House calculations. GOP leaders themselves acknowledged in a document detailing their calculations that any such projections "are largely speculative, and the conclusions are generally dictated by the assumptions made by the authors."

In other words, who knows? As macroeconomist Arnold Kling recently wrote, we'd have to construct alternate universes and try out different policies to see what effect tax cuts actually have in real life. Absent that, we're left with models that reflect economists' (or politicians') biases.

No earmarks?

Obama said in his Monday night press conference that the stimulus "does not contain ... a single pet project, not a single earmark, and it has been stripped of the projects members of both parties found most objectionable."

The "pet projects" may not have been so easily identifiable in the House bill, but watchdog groups picked out some in the Senate version. "To say there are no earmarks, would not be an accurate statement. There are very few," said Citizens Against Government Waste President Tom Schatz, "[M]embers [of Congress] have gotten much more creative."

Schatz rattled off a few examples that were in the Senate version: \$198 million for benefits for Filipino veterans; \$2 billion for a near-zero emissions coal plant, which would most likely go to the FutureGen project in Illinois; \$500 million for National Institutes of Health facilities in Bethesda, Md. Members' names weren't attached to the items. Still, Sen. Dick Durbin of Illinois has supported FutureGen, and why wouldn't Maryland Sens. Barbara Mikulski and Benjamin Cardin be pleased to see funds go to their state? Such items meet the group's definition of what qualifies as "pork." For the record, funds for the near-zero emissions plant were stripped out of the final conference report, but the Filipino veterans benefits and funds for NIH buildings are still there.

The investigative journalism site ProPublica, in a story published with MSNBC.com, identified several more questionable projects that members argue create or save jobs — for their own constituents. The Associated Press, too, found it noteworthy that Obama promised an audience in Elkhart, Indiana, that a bill with no pork would bring roadwork and perhaps a new downtown overpass.

Yet, any of these pet projects very well could lead to jobs. What critics see as "pork," people who stand to benefit would see as necessary funds to boost local economies.

Pork for mice?

And, as Schatz notes, it's much more difficult to identify who may have requested what. Republicans have charged that Speaker of the House Nancy Pelosi benefits from some pork in the compromise legislation: She has long pushed for protection for the endangered salt marsh harvest mouse in wetlands in the San Francisco Bay area, and the final bill calls for millions for wetlands restoration that could pay for such a "pet project." But it was the Senate bill that said a sum of money (\$50 million) "may be used for" programs under the California Bay-Delta Restoration Act. The House bill included no such stipulation, calling only for \$50 million for a "Watershed Rehabilitation Program."

It's worth noting that the Senate also stipulated that another \$50 million "may be used for" the Central Utah Projection Completion Act. Would that be \$50 million of pork for Republican Sens. Orrin Hatch and Robert Bennett? Or a necessary stimulus for a vital project? The funding for both the California and Utah programs survived in the final conference report.

A Pelosi spokesman told the Washington Times that she had no involvement in directing the funds to the harvest mouse project, noting that "restoration is key to economic activity, including farming, fisheries, recreation and clean water."

Obama may be right about the House bill, which was indeed stripped of a few items that representatives questioned, as he said. Our colleagues at PolitiFact.com also called the office of Republican Rep. Jeff Flake of Arizona, an outspoken opponent of earmarks, and spokesman Matthew Specht told them: "Yeah, we agree that the House version can probably be considered earmark-free."

Health IT

In his op-ed, and in his Jan. 24 video address, Obama repeated a claim about the stimulus bills' investment in electronic health records:

Obama op-ed, Feb. 5: "Now is the time to protect health insurance for the more than 8 million Americans at risk of losing their coverage and to computerize the health-care records of every American within five years, saving billions of dollars and countless lives in the process."

During the presidential campaign, Obama often talked about electronic health records and the money that technology would save. But would it be billions? And can we computerize all of Americans' health records in five years? Experts say it will be tough to speed up adoption that quickly, but they agree it's a laudable goal with plenty of money-saving, and health-improving, benefits. Health IT can do away with duplicate tests, reduce medical errors and bad drug interactions, and increase prevention efforts.

We dug into this issue last summer, finding that the adoption of electronic medical records has moved along at a crawl — only 12 percent of physicians and 11 percent of hospitals had electronic records systems in 2006, according to the CBO. The majority of doctors haven't implemented the technology, experts told us, because it's expensive, because not all of the many systems that are available can communicate with each other, and because it takes some time for an office to change its operations in such a major way. Dr. Rainu Kaushal, a professor of public health at the Weill Medical College of Cornell University, told us that the right policies could lead to 90 percent of practitioners adopting electronic systems, but "I think it's pie in the sky for the next five years." Kaushal said eight to 10 years was a reasonable estimate.

Catherine Desroches, an instructor at the Harvard Medical School who has researched health IT, told us it would take “tens of billions to hundreds of billions of dollars to really have a fully interoperable national system.”

The compromise legislation includes \$19 billion to speed up adoption. Most of the money would be in the form of payment incentives from Medicare and Medicaid for physicians who use electronic records.

We called Desroches again to ask for her take on the stimulus bill. Using the money for incentives for health care providers and infrastructure support, she said, could increase the rate of adoption, since those were the two main barriers she found in a survey of health IT use. As for getting all records computerized in five years, she said: “It’s certainly not going to be easy. But with a concerted effort at the federal level that actually has money behind it we could definitely speed up adoption.”

While the CBO agrees that health IT will save the government money in the long run, those savings are far outweighed by what the government will spend for the next 10 years.

CBO: Increased spending in the near term would be partially offset by Medicare savings in later years; as a result, those provisions would increase deficits by about \$30 billion through 2014 but would yield savings in later years, reducing the net 11-year impact to \$17 billion total through 2019.

It's worth noting that the CBO report only looks at government savings, not what insurance companies, doctors, hospitals or patients could potentially save from the use of health IT.

Power grid

During an early February speech at the Department of Energy to endorse the stimulus package, Obama said that “just these first steps towards modernizing the way we distribute electricity could reduce consumption by 2 to 4 percent.” He didn't mention any specific “steps,” but according to the Senate Appropriations Committee, the final compromise bill includes \$11 billion for smart-grid efforts, including those to modernize the electricity grid. Industry projections show that the U.S. could reduce consumption by as much as Obama says, but it will take more than 20 years and a lot more money than the stimulus provides.

A study by the Electric Power Research Institute, an industry think tank, concluded that the deployment of a so-called smart grid “could potentially” reduce annual U.S. energy consumption by 1.2 percent to 4.3 percent of projected electricity usage in 2030.

But EPRI was looking at much more than the “first steps” that are in the stimulus bill. Rather, the EPRI report's projected consumption decline would come about through full transition, nationwide, to a smart grid that wouldn't be completed until 2030. A smart grid is an umbrella term for a variety of technological improvements to or replacements for the current system of electrical distribution and transmission from power sources to homes and businesses. Such improvements include wires that can handle more powerful currents and systems that can show a homeowner how much electricity a particular household item is using.

Rebis James, director of the Energy-Technology Assessment Center for EPRI, told FactCheck.org that only a “small fraction of homes and distribution centers” currently have such communication systems. A study commissioned by the Edison Electric Institute concluded that the cost of implementing a smart grid nationwide “will total about \$880 billion.”

But money might not be the issue. As one power line developer told The New York Times, “We absolutely have no problem — underscore, no problem — financing our transmission grid.” Rather, the developers all point to regulatory hurdles that they say are hindering smart grid implementation.

When asked how close the U.S. might be to attaining the savings outlined in the EPRI report, James replied that it was “a long way away.”

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