



Distributional Impact of the Obama Stimulus Plan: A Microsimulation Approach

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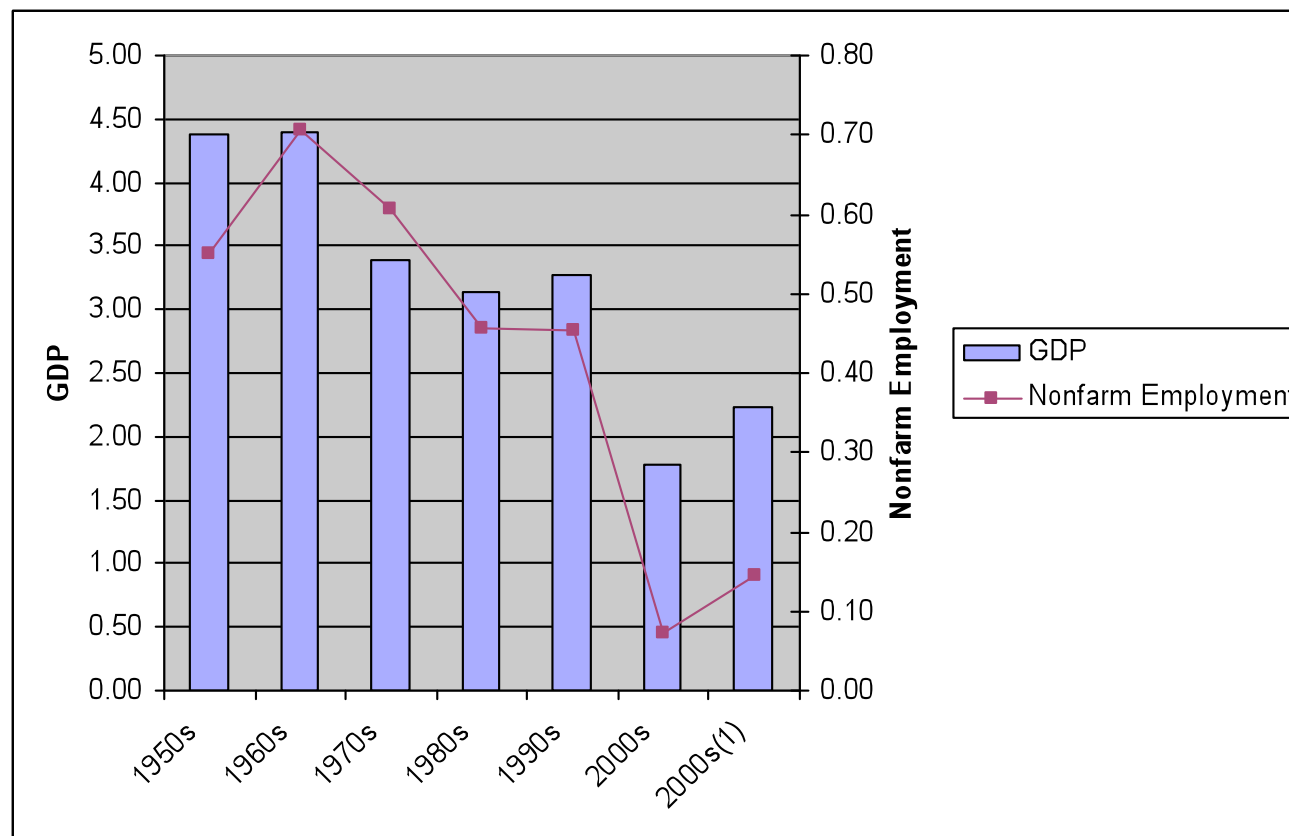
Thomas Masterson

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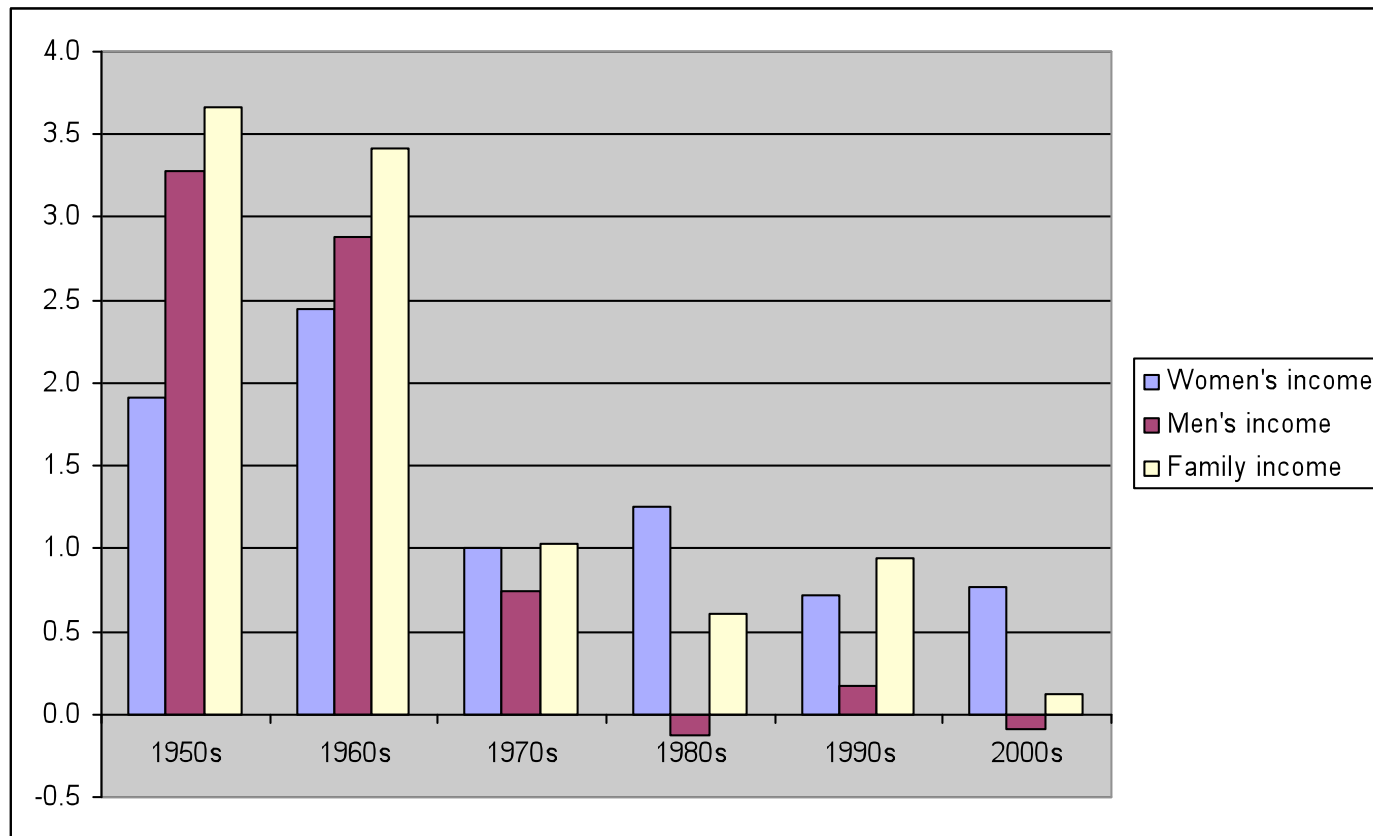
Levy Economics Institute

Prepared for the conference: *Employment Guarantee Policies*, Levy Institute,
June 22-23, 2009

Output and Employment Growth



Growth in Median Individual and Family Money Income





Fiscal Stimulus, 2009-2011 (in millions)

	Amount	Percent
Total Budgetary Cost, 2009-2019	787,242	100.0%
<i>Less: Amelioration of the expected reductions in the contribution to aggregate demand by state and local governments</i>	143,642	18.2%
State fiscal stabilization fund	53,600	6.8%
State fiscal relief	90,042	11.4%
<i>Less: coverage differences</i>	61,108	7.8%
<i>Less: timing differences (adjustments for budgetary costs during 2012-2019):</i>	51,528	6.5%
<i>Equals:</i>		
Fiscal Stimulus for Employment Estimates, 2009-2011	530,964	67.4%



Outlays and Tax Cuts

	Amount (millions)	Share (percent)
Outlays	241,376	45.5%
Purchases of goods and services	119,519	22.5%
Transfers to persons and subsidies	121,857	23.0%
Tax cuts	289,588	54.5%
TOTAL	530,964	100.0%

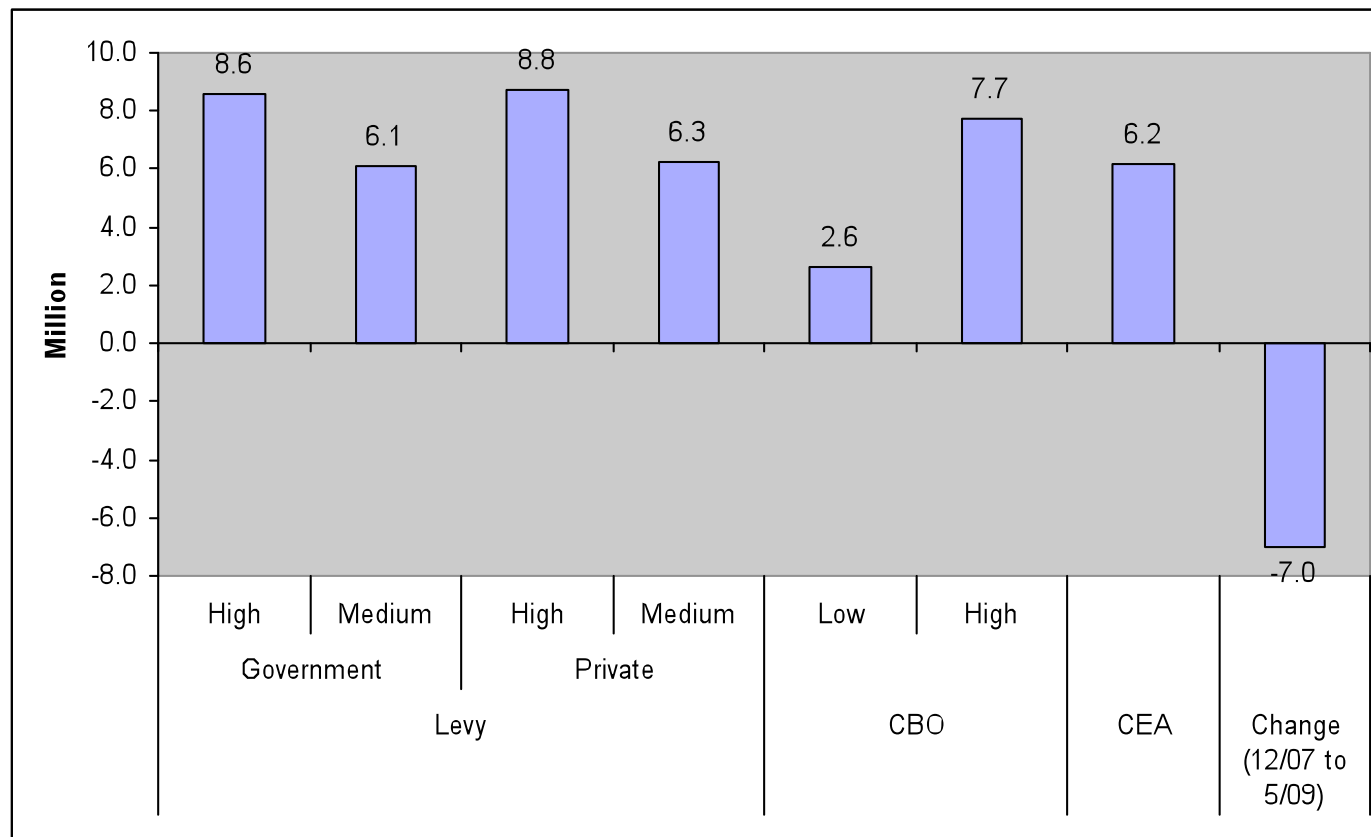


Estimates of job creation: method

Method	Purchases of goods and services	
	Input-Output	
Assumption about the distribution of final demand	Government	Private

Method	Transfers and tax cuts	
	GDP Multipliers	
Assumption about the size of the multiplier	Medium	High

Estimates of job creation: results





Cost of job creation

- Cost per job created:
 - Tax cuts: \$69,000 to \$110,000
 - Spending increases: \$52,000 to \$69,000



Who gets the jobs: data

- Annual Social and Economic Supplement, 2008
- About 80,000 households
- Detailed information about labor market participation, demographics, income sources, and income amounts



Who gets the jobs: method

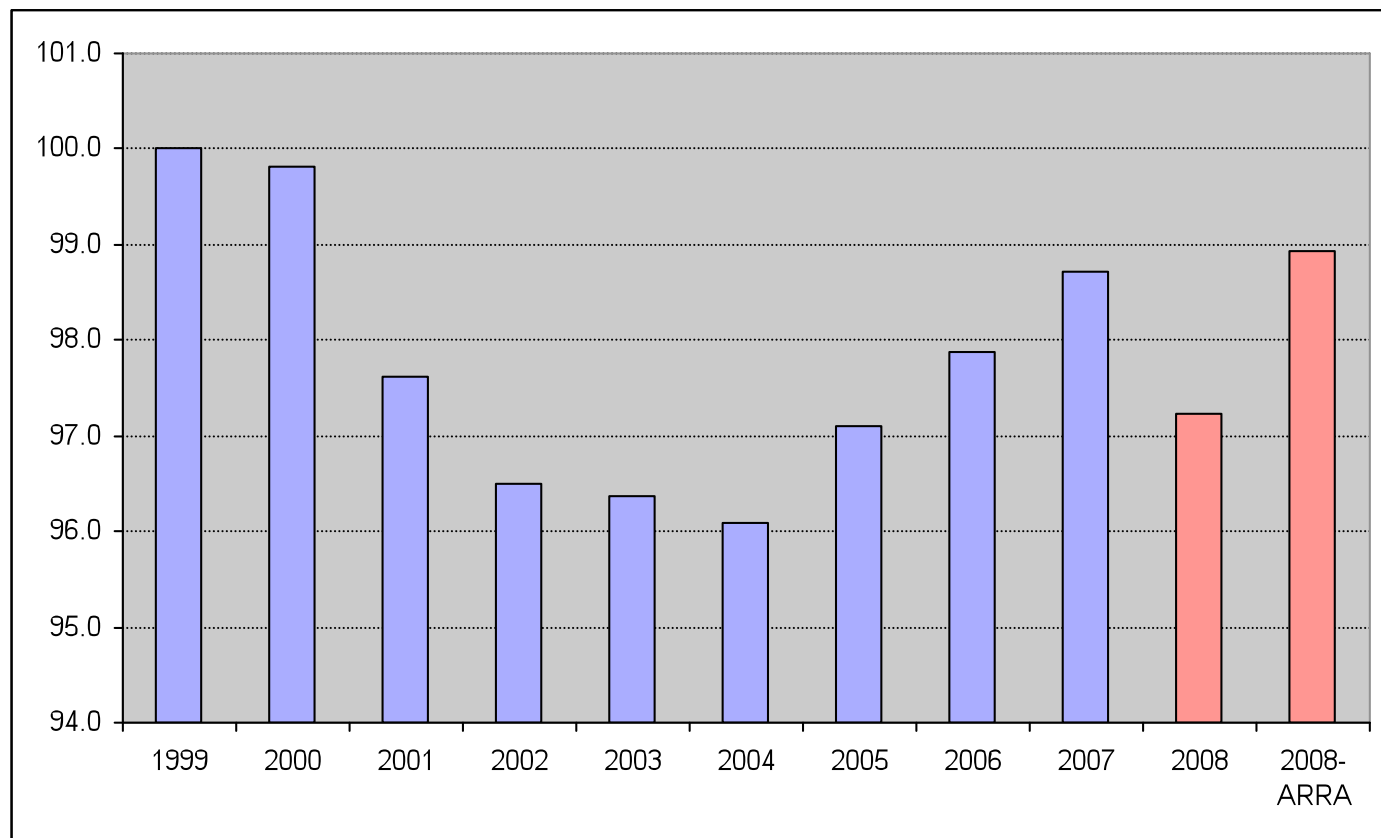
1. Construct the employable pool
 - A. Unemployed
 - B. Not in labor force, except retired, in school and too young, disabled, and homemakers
2. Rank likelihood of working in each industry and occupation
3. Rank likelihood of being employed
4. Select individuals:
 - A. For whom industry and occupation is most likely
 - B. By likelihood of being employed



Who gets the jobs: results

Category	Shares			(4) Net change, relative to 12/07
	(1)	(2)	(3)	
	December 2007	Job losses	ARRA	
A. Sex				
Male	53.3	73.5	59.8	-0.02
Female	46.7	26.5	40.2	0.01
B. Race/Ethnicity				
White	69.0	64.6	60.5	-0.01
Nonwhite	31.0	35.4	39.5	0.00
C. Education				
Less than High School	10.6	28.3	3.6	-0.10
High School Graduate	29.3	51.6	21.1	-0.05
Some College	28.8	15.3	36.5	0.03
College Graduate	31.3	4.7	38.8	0.04
Total	100.0	100.0	100.0	0.00

What happens to household income?

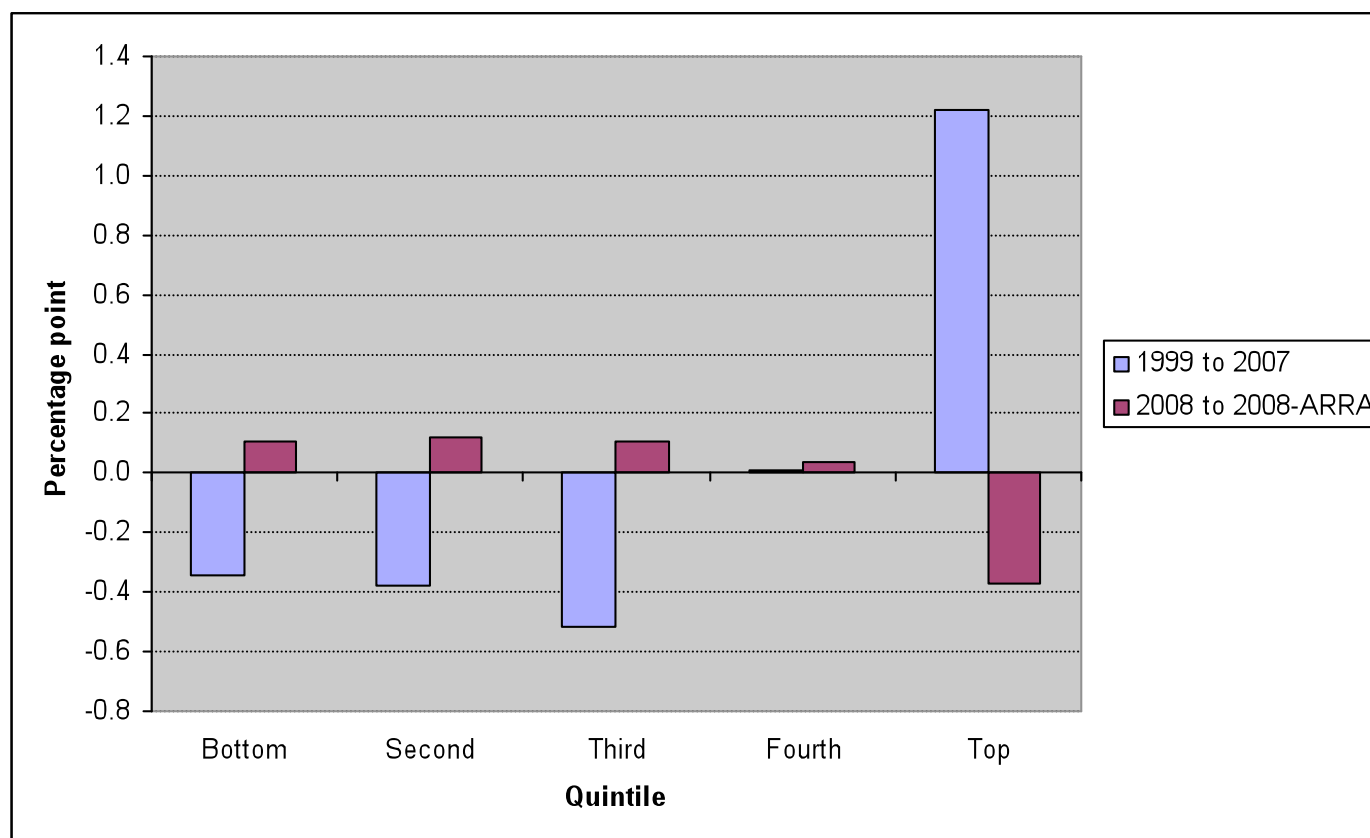


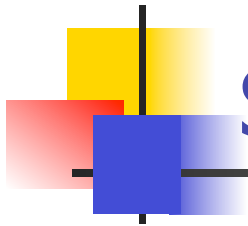


What happens to the income of working-age families?

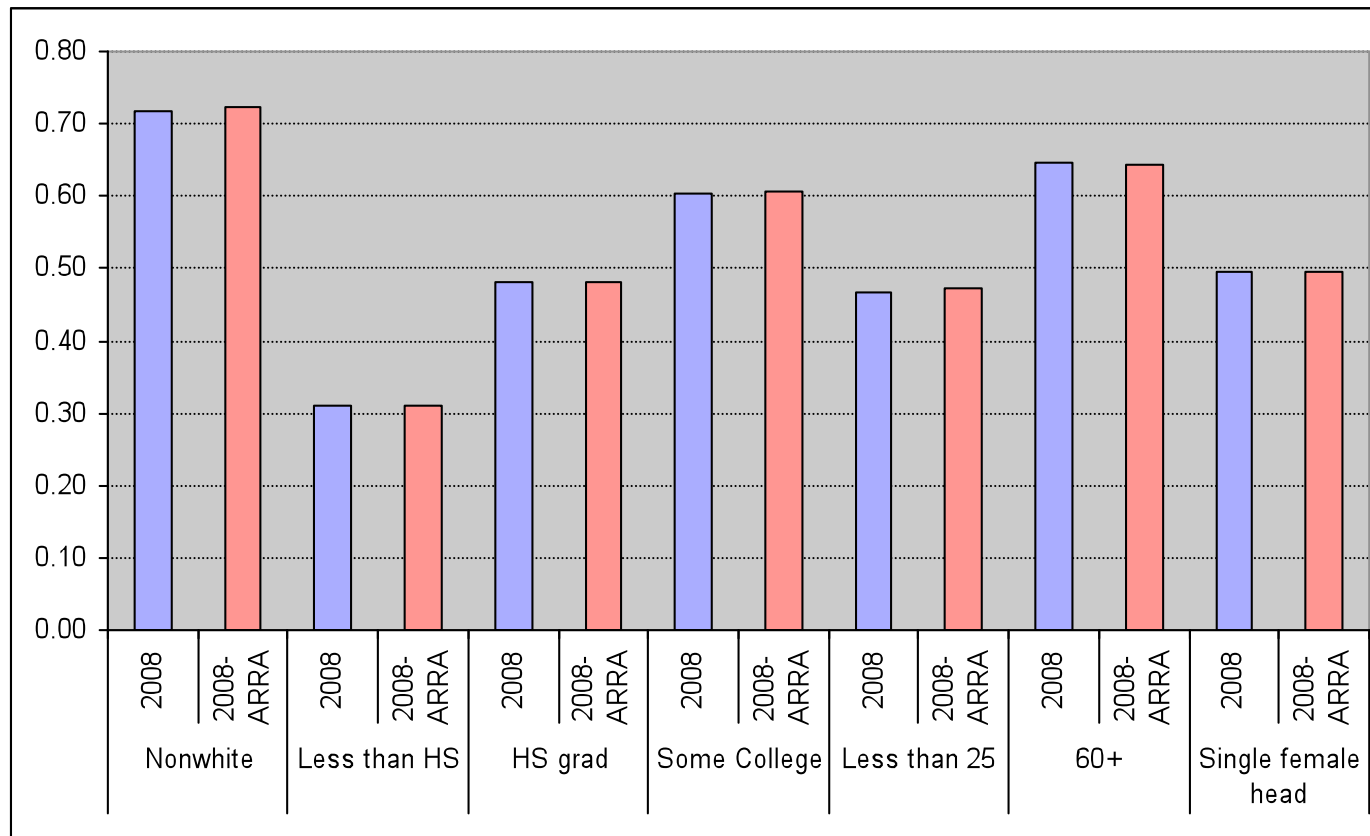
- The Obama administration's estimate: 2.3 percent.
- Our estimate: 1.8 percent

Change in the share of aggregate income by quintile





Subgroup disparities





Conclusion

- Results are preliminary
- Points toward the need for comprehensive employment strategy. Not temporary job creation alone as envisaged in the ARRA.
- Need for public provisioning coupled with under-utilization of labor suggests public employment as a necessary ingredient.