5-1-2013

The impact of the American recovery and reinvestment act of 2009 on black and latino unemployment

Vance Gray
Clark Atlanta University

Follow this and additional works at: http://digitalcommons.auctr.edu/dissertations

Part of the Political Science Commons

Recommended Citation

This Dissertation is brought to you for free and open access by DigitalCommons@Robert W. Woodruff Library, Atlanta University Center. It has been accepted for inclusion in ETD Collection for AUC Robert W. Woodruff Library by an authorized administrator of DigitalCommons@Robert W. Woodruff Library, Atlanta University Center. For more information, please contact cwiseman@aucr.edu.
ABSTRACT

POLITICAL SCIENCE

GRAY, VANCE
B.A. UNIVERSITY OF WASHINGTON, 1996
M.B.A. CLARK ATLANTA UNIVERSITY, 1998

THE IMPACT OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 ON BLACK AND LATINO UNEMPLOYMENT

COMMITTEE CHAIR: HASHIM GIBRILL, Ph.D.

Dissertation dated May 2013

This study examines the impact of the American Recovery and Reinvestment Act of 2009 (the Act) on black and Latino unemployment. This study is based on the premise that blacks and Latinos were negatively affected by the Great Recession and its economic phenomena. A case study impact analysis approach was used to draw conclusions from the data gathered from governmental document obtained from the Bureau of Labor Statistics for the United States as a whole and the cities of Atlanta, Georgia, and Los Angeles, California. The researcher found that during the Great Recession black and Latino rates of unemployment were as severe as national unemployment during the early years of the Great Depression, yet the Act was focused on macro-economic issues versus the microeconomic employment issues found among black and Latino communities.
The black unemployment rate in the city of Atlanta rose from 9.8% in 2007 to 24.1% in 2010. In Los Angeles, California the black unemployment rate rose from 9.2% in 2007 to 22.6% in 2010. The white unemployment rate in these cities never reached higher than 12.9% in 2010. The Latino rate of unemployment in Atlanta, Georgia rose from 6.3% in 2007 to 10.3% in 2010. In Los Angeles the Latino unemployment rate rose from 5.8% in 2007 to 14.2% in 2010. In 2010 the number of blacks and Latinos unemployed rose by 9.4% and 5.1% respectively. The number of whites unemployed rose by only 2.5%. The Act focuses on a top down approach to the economy – a macroeconomic response to the recession, versus an approach that would assist those most impacted by the Great Recession with a microeconomic response.

The conclusions drawn from the findings of this study suggest that the Act failed to address the structural employment and unemployment conditions of blacks and Latinos; failed to meet its stated goal to assist those most impacted by the recession; was effective at targeting macro-level unemployment; has been inadequate to positively affect micro-level unemployment in black and Latino communities. Blacks and Latinos across the United States, and in cities experience higher levels of unemployment during recessions and recoveries as have been reported by the National Bureau of Economic Research.

The significance of this research is in its critical case study analysis of the impact of the largest stimulus bill ever passed by Congress and signed by a United States president. This research informs government and politics, adds significantly to the understanding of policy choices. Specifically this research is significant in explaining the extent to which the Act impacts the employment disparities among blacks and Latinos.
I would like to take a moment and declare that I know there is a God. I know He has made this possible because it wasn’t until now that one understands the power of faith. I am humbled before my family: Venus, Valerie, Vincent, Victor, Vershon, and Vonnetta who have been with me through life’s challenges, and my transition to peace and acceptance. I am encouraged by past and future achievement. I am thankful to my best friend Damion Anderson for being there for me from the beginning of my journey in college and through it all. I am forever grateful to the Gray’s, Baptiste’s, Lee’s, Anderson-Clayton’s, and Pitts. I acknowledge the work of my committee members Dr. Gibrill, Dr. Boone, and Dr. Awomolo who have guided my research and academic progress. I want to acknowledge other Clark Atlanta University faculty members who have contributed to my graduate studies: Dr. Bettye Clark, Dr. Jeffery Phillips, Dr. Edward Davis, Dr. Fragano Ledgister, Dr. Robert deJanes, Dr. Lisa Nealy, Dr. Henry Elonge, Dr. Johnny Wilson, Dr. Howard Grant, and Dr. Glenn Johnson. I would like to acknowledge faculty and staff from the University of Washington: Dr. Myron Apilado, Dr. Ernest Morris, Dr. Julius Debro, Emile Pitre, and Renee Singleton. I am honored to have studied with friends and so many brilliant minds over the years and hope to inspire many more in the next phase of my life and career.
# TABLE OF CONTENTS

ACKNOWLEDGEMENTS ................................................................................. ii

LIST OF FIGURES ......................................................................................... iv

LIST OF TABLES ............................................................................................... v

Chapter

ONE  INTRODUCTION ......................................................................................... 1

  Statement of the Problem ........................................................................... 12
  Central Research Question and Research Hypothesis ......................... 14
  Major Concepts and Theoretic Underpinnings ...................................... 16
  Research Methods ..................................................................................... 20
  Significance of the Study ........................................................................... 22
  Organization of the Dissertation ............................................................... 25

TWO  LITERATURE REVIEW ............................................................................. 28

THREE  METHODS AND THEORETIC FRAMEWORK ...................................... 53

FOUR  "TWO METROPOLITAN CITIES": CASE STUDY .................................. 63

  City of Atlanta, Georgia ........................................................................... 73
  City of Los Angeles, California ................................................................. 84

FIVE  FINDINGS AND CONCLUSION ............................................................. 98

  Case Study Findings ............................................................................... 106
  Argument ................................................................................................. 113
  Conclusion ............................................................................................... 114
  Recommendations ................................................................................... 116
  Limitations of the Study .......................................................................... 117

APPENDIX ..................................................................................................... 119

BIBLIOGRAPHY ............................................................................................ 195
LIST OF FIGURES

1.1 Policy Framework for Analysis................................................................. 21
4.1 2007 Annual Averages, Unemployment Rate for Metropolitan Areas..............67
4.2 2008 Annual Averages, Unemployment Rate for Metropolitan Areas..............68
4.3 2009 Annual Averages, Unemployment Rate for Metropolitan Areas..............69
4.4 2010 Annual Averages, Unemployment Rate for Metropolitan Areas..............70
4.5 2011 Annual Averages, Unemployment Rate for Metropolitan Areas..............71
5.1 National Unemployment Rates 2002 – 2011.............................................. 98
5.2 Great Depression vs. Great Recession National Comparison..........................101
5.3 Great Depression vs. Great Recession Atlanta, Georgia Comparison...............109
5.4 Great Depression vs. Great Recession Los Angeles, California Comparison....111
LIST OF TABLES

1.1 Economic Disparities

2.1 Unemployment Status by Race

2.2 Unemployment and Economic Disparity

2.3 Income Inequality

2.4 Total Unemployment U.S. (percentages)

2.5 Annual Number and Percent Unemployed by Race, 1972 – 2001

4.1 Local Area Total Unemployment (Black/White) Metropolitan Area

4.2 Local Area Total Unemployment (Latino/White) Metropolitan Area

4.3 Structural Demographics Great Recession Atlanta, Georgia 2009

4.4 EEOC-1 Aggregate Report for Georgia – Employment Categories 2007

4.5 EEOC-1 Aggregate Report for Georgia – Employment Categories 2010

4.6 Atlanta City Unemployment by Race during Great Recession

4.7 Black-White, Latino-White Segregation Atlanta (D) 1980 – 2010

4.8 Structural Demographics Great Recession Los Angeles, California 2009

4.9 Los Angeles, California – Industry Profile 2006 – 2010

4.10 EEOC-1 Aggregate Report for California – Employment Categories 2007

4.11 EEOC-1 Aggregate Report for California – Employment Categories 2010

4.12 Los Angeles City Unemployment by Race during Great Recession

4.13 Total Unemployment, “Over-the-Year” Percent Change

4.14 Black-White, Latino-White Segregation Los Angeles
5.1 National Unemployment Rate by Race 2007 – 2011 (Results of Experiment)...103
5.2 Annual Number and Percent Unemployed by Race, 1972-2001.......................105
5.3 Local Area Total Unemployment (Black-White) Metropolitan Area .............107
5.4 Local Area Total Unemployment (Latino-White) Metropolitan Area.............107
5.5 Employment Status by Race 2007 – 2010 ..............................................108
5.6 City of Atlanta Unemployment by Race and Ethnicity 2006-2011.............110
5.7 Los Angeles City Unemployment by Race and Ethnicity 2006-2011............112
CHAPTER 1
INTRODUCTION

"I am invisible, understand, simply because people refuse to see me... When they approach me they see only my surroundings, themselves, or figments of their imagination – indeed, everything and anything except me." Ralph Ellison, The Invisible Man

There exists an interesting intersection of political reality in the United States among blacks, Latinos, and whites. This political reality stems from behaviors within the American political economic system which manifest in inequity. Concentrated joblessness and chronic unemployment among blacks and Latinos is the social, economic, and political reality experienced during the Great Recession. Joblessness and unemployment are conditions that result from behavioral activities within the American political and economic systems. These activities promote, and may prohibit economic and political equity among citizens within and across racial boundaries. The authors of Winner-Take-All Politics suggest, “Amid the greatest economic crisis since the Great Depression, the growing gap between the middle-class and the rich has moved from the periphery to the center of political debate.”¹ Unemployment is a significant political, economic, and social condition which leads to income inequality, poverty, crime, and other disparities.

Often times the overall national unemployment numbers are referred to as an indicator of the health and vitality of the economy. Yet, this measure does not provide the clearest indicator of the conditions experienced by all members of the American economy. “Overall unemployment numbers also mask enormous variation in joblessness among different racial and ethnic groups.”

There are differences between black, Latino, and white unemployment rates, income levels, poverty levels, and health disparities. This study will focus on the employment differences among blacks, Latinos, and whites.

The Bureau of Labor Statistics reports the national unemployment rate, for all persons in the United States, for the years 2008, 2009, and 2010 averaged nearly 10 percent. However, the differences in black, Latino, and white unemployment statistics are noteworthy. Historically, black unemployment rates are consistently twice that of the white unemployment rate. The Latino or Hispanic unemployment rates overtime are similar to blacks when compared to whites. According to the Economic Policy Institute (EPI), culture and racial differences matter in the United States, and must be taken into consideration when public policy is used to affect the lives of citizens.

In making almost all decisions about allocating resources among the programs of government, policymakers must choose among worthy ends. They do not have the luxury of picking the only acceptable policy. Which is more important, the jobs of five hundred loggers or an endangered species of owl?

---


This study essentially seeks to examine the impact of a government employment policy on blacks and Latinos in the United States. Samuel Huntington writes in “The Hispanic Challenge,” that, “The cultural division between Hispanics and Anglos could replace the racial division between blacks and whites as the most serious social cleavage in U.S. society.” This alone would make race and culture a relevant political phenomenon when seeking to understand the employment and unemployment differences among Americans.

In the examination of the impact of the American Recovery and Reinvestment Act (the Act) on black and Latino unemployment, this study will consider an analysis of the failure of the Act to establish a new “normal,” that is one where neither black nor Latino unemployment are inequitably distributed as compared to whites. This study also seeks to incorporate Latino struggles for employment into the “normal science” of the traditional “black-white” comparative analysis an inequitable relationship as a relevant analytical shift toward a broader understanding of people of color. Richard Delgado writes of this black-white binary paradigm of race,

One obstacle confronting Latinos in their search for justice is the black-white binary paradigm of race. A common feature of mainstream civil rights thought, the binary paradigm selects two groups, generally blacks and whites, and pronounces their experiences and relations with each other central. Other groups, such as Latinos or Asian Americans, enter into the analysis only insofar as they succeed in analogizing their experience to that of one of the two key sets of actors.5

---


The loss of several millions of jobs in the United States in the period dating from December 2007 through the end of 2010 can be attributed to what is being termed the Great Recession. Not since the Great Depression of the early 20th Century has the American economy claimed so great a devastation on the lives of people in the United States. Between 2008 and 2009 nearly one million more African Americans men and women became unemployed. The number of unemployed blacks rose from one million-six hundred forty-two thousand to an estimated two million six-hundred seven thousand men and women sixteen years of age and older. These persons represented an unemployment rate for blacks of 14.8%, 54% greater than the 9.6% national average, and 74% above the unemployment rate for white men and women.

Comparably, between 2008 and 2009 the number of unemployed Latinos rose from 1,678,000 to 2,706,000. This represents an increase of one million twenty-eight thousand more Latino men and women or an unemployment rate of 12.1%. Between 2009 and 2010 an additional two-hundred forty-six thousand blacks became unemployed. The unemployment rate for blacks rose from 14.8% to 16.0% compared to 8.5% for whites in 2009 and 8.7% in 2010. The unemployment rate for Latinos grew from 12.1% in 2009 to 12.5% in 2010.

---

6 Unemployed. According the U.S. Bureau of Labor Statistics, persons are classified as unemployed if they do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work. Workers expecting to be recalled from layoff are counted as unemployed, whether or not they have engaged in a specific jobseeking activity. In all other cases, the individual must have been engaged in at least one active job search activity in the 4 weeks preceding the interview and be available for work (except for temporary illness).

Numerous social scientists agree that, “both historically and contemporarily, the conditions of blacks have been and continue to be significantly different from those of other groups”\(^8\) and, “in spite of their emerging demographic presence in the United States, Latinos and Latinas remain poorly understood.”\(^9\) This is why understanding the impact of government policies on blacks and Latinos is relevant to political science and public policy in the United States. The disproportionate condition of unemployment between blacks, Latinos, and whites represents an area of political and economic importance. The political impact of being treated unequally to whites does not equate to the American notion of liberty – economic freedom. These remaining differences among others, represents the continued oppression of being blacks and Latinos in America.

The political and economic climate and its background within the United States and the American communities impacted by public economic and social policies is extremely important within the context of black and Latino progression from unemployment to employment. The Great Recession and its effect on employment and the unemployment status of blacks and Latinos is a relevant measure of the political processes’ ability to resolve long-standing issues through policy activities. Unemployment and joblessness is a longstanding issue among blacks in the United States. According to Algernon Austin, a labor sociologist at the Economic Policy Institute, a Washington, D.C.-based think tank,

---


It’s funny that what we call a crisis now is actually a little better than where black workers were in the so-called boom times, and the fact that there was no targeted effort to address African-American unemployment before the recession is a large part of the reason that the jobs problem is so big now.\textsuperscript{10}

Thus a focus on the American Recovery and Reinvestment Act is relevant because prior to and during the Great Recession blacks and Latinos employment status was far different from that of whites, and the Act – may impact their condition. Blacks and Latinos make up more than 40\% of the unemployed in the United States, contrasted with blacks and Latinos who comprise approximately 24.8\% of the U.S. population.\textsuperscript{11} The policy making process has been unable to resolve the inequality in the distribution of unemployment among blacks or Latinos. Sam Fulwood, III of the Center for American Progress writes,

Real Americans—especially real poor, black, and Latino Americans—are overlooked as political leaders of all persuasions bicker over the numbers. Virtually nobody—from congressional leaders to White House negotiators—expresses the targeted, specific, and appropriate alarm at the 2.9 million unemployed black Americans and 3 million out-of-work Latinos.\textsuperscript{12}

Therefore, it is of equal importance to tie the effect and ineffectiveness of the policymaking processes ability to resolve problems which historically befall on people of color (blacks and Latinos), in an unequal and disproportionate rate compared to whites.


Consequently, this study examines an economic policy enacted by the first black president of the United States, and that policy’s impact on blacks and Latinos employment status in America.

The relevant issue one must consider thus becomes a question of how has the American Recovery and Reinvestment Act impacted the employment status of black Americans, and Latino Americans – the citizens most affected by the recession? The harmfully disproportionate effect of employment status, defined as either unemployed, employed\textsuperscript{13}, or not in the labor force\textsuperscript{14}, on blacks is politically objectionable. The political process is largely reactive to a community’s needs either at the local, state, or federal level. Issues of critical concern for blacks must be effectively addressed in the policymaking process. Employment disparities are critical economic inequities that government must address. According to political scientist Mack Jones, Ph.D, “the black

\textsuperscript{13} Employed. According the U.S. Bureau of Labor Statistics, persons are classified as employed consist of: all persons who did any work for pay or profit during the survey reference week; all persons who did at least 15 hours of unpaid work in a family-owned enterprise cooperated by someone in their household; and, all persons who were temporarily absent from their regular jobs, whether paid or not. Not all of the wide range of job situations in the American economy fit neatly into a given category. For example, people are considered employed if they did any work for pay or profit during the survey reference week. This includes all part-time and temporary work, as well as regular full-time, year-round employment. Persons also are counted as employed if they have a job at which they did not work during the survey week because they were: on vacation, ill, experiencing child-care problems, taking care of some other family or personal obligation, on maternity leave or paternity leave, involved in a industrial dispute, and, prevented from working by bad weather.

\textsuperscript{14} Not in the Labor Force. According to the U.S. Bureau of Labor Statistics, persons are classified as not in the labor force consists of: All persons who are not classified as employed or unemployed during the survey reference week. Labor force measures are based on the civilian noninstitutional population 16 years old and over. (Excluded are persons under 16 years of age, all persons confined to institutions such as nursing homes and prisons, and persons on active duty in the Armed Forces.) The labor force is made up of the employed and unemployed. The remainders are those who have no job and are not looking for one are counted as “not in the labor force.” Many who are not in the labor force are going to school or are retired. Family responsibilities keep others out of the labor force.
community is defined as an organic entity. The black community comprises all persons of
African heritage and all of the institutions which they form.”15 Hereafter blacks and black
community will be used interchangeably. It is equally difficult to perfectly define or
describe Latinos in the context of the peoples who are of Latin American descent in the
United States. "Latino" is a reflection of the struggle for self-identification and a more
accurate and self-reaffirming term than "Hispanic (Delgado and Stefancic 1998)."16 Thus
the term Latino will be used in this study to describe Hispanics.

The official 2010 unemployment rate among blacks, for instance, was 16%,
Latinos 12.5% and among whites 8.7%.17 The unemployment percentage difference
between blacks and whites is 84%. The difference between Latinos and whites is 43%.
These differences create political and economic disparities. Political and economic
disparity creates a power relationship between the resulting unequal parties. This power
relationship is the result of a determination of "who governs"18 and "who gets what,
when, and how."19 As such, blacks and Latinos have become the parties with an unequal
share of economic resources such as employment and income.

15 Mack Jones, Ph.D., The Responsibility of Black Political Scientists to the Black Community,
Endarch Journal.

16 Jose Luis Morin, Latino/a Rights and Justice in the United States: Perspectives and Approaches

17 U.S. Bureau of the Census, Household Date Annual Averages, #3 Employment Status of the


The American Recovery and Reinvestment Act of 2009 was designed in response to the devastating effect of the Great Recession. This policy’s purpose was (1) To preserve and create jobs and promote economic recovery; (2) To assist those most impacted by the recession; (3) To provide investments needed to increase economic efficiency by spurring technological advances in science and health; (4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; (5) To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.20 This study purports that jobs held by blacks and Latinos have neither been preserved nor created to promote economic recovery. Further, that black and Latino citizens historically have been the most impacted by unemployment or lack of employment before, during, and after recessionary conditions have been identified, and policies21 have been formulated and implemented.

Employment status is more than a government label designed to define a person as either employed, unemployed, or not in the labor force. Employment status describes a persons’ condition – his or her ability to participate in the American economy. His or her ability to purchase a home, pay a mortgage, pay rent, purchase a car, pay for a transit ticket and support a family. An unemployed person who is black, Latino, or white will


21 Policy. James E. Anderson defines policy in Public Policymaking, as a relatively stable, purposeful course of action or inaction followed by an actor or set of actors in dealing with a problem or matter of concern.
find it hard to survive without a job. However, unemployment, as a condition, disproportionately impacts blacks and Latinos as compared to whites. The employment disparities between blacks, Latinos, and whites have become more pronounced since the Great Recession. Based within these conditions, the African American and the Latino is still “oppressed.” Based on the indicators and manifestations of economic disparity, I argue that the American Recovery and Reinvestment Act of 2009 failed to focus on the black or Latino unemployment condition in the United States.

Table 1.1 Economic Disparities

<table>
<thead>
<tr>
<th>Measure</th>
<th>National Average (Hshld)</th>
<th>White</th>
<th>Black</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics 2-5</td>
<td>2008 2009 % Chg</td>
<td>2008 2009 % Chg</td>
<td>2008 2009 % Chg</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>5.8 9.3 3.5 5.2 8.5 3.3 10.1 14.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>$50,112 $49,777 -0.7 $55,319 $54,461 -1.6 $34,088 $32,584 -4.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Per Capita</td>
<td>$26,862 $26,530 -1.2 $31,194 $30,941 -0.8 $18,336 $18,135 -1.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty</td>
<td>13.2 14.3 1.1 8.6 9.4 0.8 24.7 25.8 1.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Health Insurance</td>
<td>15.4 16.7 1.3 10.8 12.0 1.2 19.1 21 1.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Economic disparities structurally impede black and Latino progress. Principally, unemployment gets in the way of black and Latino Americans ability to obtain economic parity with American society and specifically white Americans. “Politics and public policy have played a more central role in the rise in inequality than economic accounts suggest” (Hack et al 2010, 153). Given the historic nature of the unequal distribution of

---


the condition of unemployment between blacks, Latinos and whites – black and Latino unemployment must be understood. Blacks and Latinos experience economic hardships at much greater rates than their white counterparts. Because the condition is historic, one would think that government policies would be designed in order to level this unequal distribution of joblessness. Yet the American Recovery and Reinvestment Act has failed to do so. When one reviews the “Effects on Different Demographic Groups,” a section in “The Job Impact of the American Recovery and Reinvestment Plan” by Christina Romer and Jared Bernstein of the Council of Economic Advisors and the Office of the Vice President-Elect, the team acknowledges that the “sensitivity of employment and unemployment to the overall health of the economy varies across demographic groups of the population. For example, African American, Hispanic, young, less-educated, and male workers tend to suffer disproportionately during recessions.” Yet they fail to offer a formula that considers these demographic differences, and utilize only gender as a “consideration” in the formulation of the American Recovery and Reinvestment Act.

Structural impediments are road blocks to access to education, health insurance, income, and employment. These impediments – inequities or economic disparities related to the employment conditions of people of color, and that of black or Latino progress, are designed to prevent blacks, and Latinos from progressing to that remaining critical “one-tenth.” Thus the question is why? Specifically, why are blacks and Latinos as compared

to whites disproportionately unemployed following the implementation of the American Recovery and Reinvestment Act?

**Statement of the Problem**

Inequity is political, social, and economic difference normalized, wherein the differences ought to be concentrated equally among citizens in the United States. Political, social, and economic inequity can materialize in various human conditions. Unemployment is one such human condition. This study uses unemployment status to illustrate injustice in the American political economic system. For example, black and Latino citizens’ unemployment rates being far above white citizens. Inequity is a black unemployment rate of 16%, a Latino unemployment rate of 12.5%, and a white unemployment rate of 8%. Inequity is an issue of fairness and justice; it is not simply about a measurement. Equality suggests that everyone in the United States who desires a job can become employed. Inequality is no job for blacks and Latinos who seek employment, when whites who sought employment have found employment. Inequality is government public policy whose objectives have failed to employ blacks and Latinos, while inequitably; whites succeed in finding employment as a result of the same public policy.

The problem this study seeks to examine is the inequitable and unequal distribution of employment between blacks, Latinos, and whites historically in the United States, and the impact of the ARRA policy of 2009. I argue that increasingly high levels
of black and Latino unemployment and lack of job creation is the result of public policies designed to respond to white joblessness and white economic liberty, while neglecting the negative social problems and conditions identified in the urban black, and Latino centers. Included as examples of the debilitating factors among the overwhelming social problems plaguing the urban black center are, the conditions of poverty, crime, health, income inequality, education, transportation, and most importantly – employment and concentrated levels of unemployment.

Government has a responsibility to eliminate economic disparities in order to promote production and trade in black, and Latino communities, because government is the assignor and protector of property rights, and the provider and enforcer of private contracts, through its economic, fiscal, and monetary policies. "Both the policymaker and the citizen must be concerned with matters of justice and trust in government. Indeed, it may be that justice and social trust ultimately make the best policies – and even the best politics."25 Despite the passing of the American Recovery and Reinvestment Act of 2009 (ARRA), black, and Latino unemployment has continued to increase and become more concentrated in several metropolitan cities.

Central Research Question & Research Hypothesis

The central research question presented in this study seeks to answer questions about the structure of unemployment in American society and how it affects blacks and Latinos, both before and after The Great Recession (the period between the fourth quarter of 2007 and the end of 2010) and the impact of the Act on blacks and Latinos. Understanding this key question and related questions is significant, observable and political.²⁶ This research will advance the understanding of politics and government, and will enable policymakers, stakeholders and the impacted communities to better identify appropriate inputs and outcomes of public policy choices which equally improve society as a whole – not advancing whites and disadvantaging blacks or Latinos.

Central Research Question

The central research question I will examine is: To what extent has the American Recovery and Reinvestment Act of 2009 impacted the black, and Latino unemployment rates as a result of the Great Recession? This research question examines the relationship between black, and Latino unemployment and a governmental job creation policy.

There are several questions related to the central research question which may provide interesting and factual knowledge which will contribute to an understanding of the political phenomena involved in the relationship among black, and Latino unemployment and policy. The under study research question seeks to assist in developing an explanation for the distribution of joblessness among blacks, Latinos and whites. The examination of this question provides the researcher with empirical data

which is critical in understanding the extent to which a policy may have an impact on these two communities of color.

The research questions discussed above are critical to understanding this study's significance and its implications for public policy, and future policymaking processes in the United States. The relationships between black unemployment, Latino unemployment and government job creation policy (intervention) matter in politics (struggle between people, ideology, and decision-making). The ability to understand the longstanding differences between black, Latino, and white unemployment may provide new inputs for effective policy choices when stakeholders identify problems in the United States economy.

Research Hypothesis/Assumptions

The research hypothesis utilized in this study is: Black and Latino unemployment is more likely to be negatively affected by structural racism and spatial mismatch than positively impacted by the American Recovery and Reinvestment Act of 2009. Described another way, the American Recovery and Reinvestment Act of 2009 is less likely to have a positive impact on black and Latino unemployment than the negative effect of racism (structural, and spatial mismatch). This hypothesis suggests that the continuing effects of racism (including spatial mismatch – vestiges of historic racial segregation) has been stronger over the course of 2008 - 2010 than the impact of the largest job creation policy enacted in the United States in response to the Great Recession.
The unit of analysis, dependent variable, and independent variables make the hypothesis presented above testable. The Unit of Analysis: Black and Latino Unemployed Persons (16 Years and Older - Group); the Dependent Variable: Black and Latino Unemployment; the first Independent Variable (1): American Recovery and Reinvestment Act; and the second Independent Variable (2): Structural Racism (Spatial Mismatch). The central research question and research hypothesis together with the major concepts and theoretical underpinning help to explain and explore the relationships between black unemployment, Latino unemployment, government intervention in the form of the Act, and racism – the political phenomena under study.

**Major Concepts and Theoretical Underpinnings**

Unemployment in the black and Latino community and the U.S. Government’s policy response to increasing job losses in the United States, as a result of the Great Recession, in the form of the American Recovery and Reinvestment Act (ARRA) of 2009 are the major conceptual themes of this study. I argue that black and Latino unemployment in the United States is a problem which has not been successfully addressed as part of the federal government’s job creation and policymaking process which resulted in passage of the Nation’s largest economic stimulus legislation. The differences in black, Latino and white unemployment outcomes are not normal. The differences are rooted in structural racism and a culturally flawed policymaking process.

---

Theoretic Underpinnings

There are two theoretic underpinnings that one associates with black and Latino unemployment disparities which guide the research for this study. These theories assist in explaining why black and Latino unemployment is dramatically more pronounced than white unemployment in the United States. These theories also provide a framework from which one also can view the impact of the American Recovery and Reinvestment Act of 2009 on black and Latino unemployment. The two theories are: (1) Structural Racism, and (2) Spatial Mismatch Theory.

Major Concepts

The major concepts this study includes are: (1) Unemployment: black and Latino unemployment compared to white unemployment; (2) Current employment environment resulting from federal racial segregation in housing; (3) The American Recovery and Reinvestment Act of 2009 as a public policy, and its policy making process; and (4) theoretic underpinnings which provide the framework for this study.

Employment, Unemployment, and Not in the Labor Force

The definitions of employment, unemployment, and not in the labor force have been defined earlier in this chapter by the U.S. Bureau of Labor Statistics. However those basic concepts summarized are as follows: people with jobs are employed; people who are jobless, looking for jobs, and available for work are unemployed; and people who are
neither employed nor unemployed are not in the labor force. Black and Latino employment, unemployment, and not in the labor force data provides this study a variable by which one will present empirical comparisons and findings to address the normative questions about the differences between black, Latino and white employment disparities.

**Current Employment Environment**

The 2009 and 2010 employment environment finds the white unemployment rate at 8.5% and 8.7% versus a black unemployment rate of 14.8% and 16.0% respectively. The current employment environment blacks find themselves struggling within extends from the historic legacy of institutionalized slavery, post-reconstruction period failed efforts to successfully integrate blacks into American society, segregation – designed to prevent working-class whites from joining in the concerns of black and Latino workers; and post World War II federal housing policies which further isolated blacks and other people of color from whites.

**American Recovery and Reinvestment Act**

According the Obama Administration’s Recovery.gov the American Recovery and Reinvestment Act of 2009,

... was passed by Congress and signed into law by President Obama on February 17, 2009. The purpose of the $787 billion Recovery package is to jump-start the economy to create and save jobs. The Act specifies appropriations for a wide range of federal programs, and increases or extends certain benefits under Medicaid, unemployment compensation, and nutrition assistance programs. The

---


legislation also reduces individual and corporate income tax collections, and makes a variety of other changes to tax laws. Long-term investment goals include:

- Beginning to computerize health records to reduce medical errors and save on health-care costs
- Investing in the domestic renewable energy industry
- Weatherizing 75 percent of federal buildings and more than one million homes
- Increasing college affordability for seven million students by funding the shortfall in Pell Grants, raising the maximum grant level to $500, and providing a higher education tax cut to nearly four million students
- Cutting taxes for 129 million working households by providing an $800 Making Work Pay tax credit for qualified individuals
- Expanding the Child Tax Credit

The American Recovery and Reinvestment Act of 2009 was the government’s policy response to the economic crisis which began in the fourth quarter of 2007. This economic crisis has resulted in the loss of 7.2 million jobs, and a 3.7 million job gap in the number of job needed to match population growth. That is an 11.0 million job shortfall since December 2007 through 2010. President-Elect Barack Obama, during a pre-inauguration speech, introduced and described the Act by indicating that,

It's a plan that represents not just new policy, but a whole new approach to meeting our most urgent challenges. For if we hope to end this crisis, we must end the culture of anything goes that helped create it—and this change must begin in Washington. It is time to trade old habits for a new spirit of responsibility. It is

---


time to finally change the ways of Washington so that we can set a new and better course for America.\textsuperscript{32}

One seeks to impeach the Act as flawed in addressing the long-standing employment issues as they relate to blacks and Latinos, and the unequal and inequitable distribution of jobs. The major concepts and the theoretic underpinnings of this study are presented in order to build a case and to explain why the policy offered above does not represent a new approach or process to resolving the unemployment gap between blacks, Latinos and whites in the United States.

\textbf{Research Methods}

This study will utilize a case study approach. The approach here uses the case study method to make the inquiries necessary to answer the central research question and offer significant, systematic evidence in support of the research hypothesis. These methods will be used to answer the central research question, to what extent has government’s jobs creation policies impacted the black and Latino community during the economic crisis of December 2007 through 2010 in Atlanta, Georgia, and Los Angeles, California? The cities selected as objects of the study have been selected because they all have had elected black and Latino mayors, these cities are older, concentrated, and have significant populations of blacks and Latinos respectively.

The ARRA policy of 2009 will be analyzed using a policy impact framework. The framework (below) consisting of the following components: Historical Legacies and Processes of Change; Institutions and Power Structures; Agents/Actors, Power Relations, Ideologies and Values; Structural Features; and Policymaking/Implementation, and Processes and Outcomes. However, the impact of the policy will focus on the outcomes.

Figure 1.1 Policy Framework for Analysis, “Factors Influencing the Policy Process.”

The primary data collection technique for analyzing the impact of the ARRA policy on the cities of Atlanta, and Los Angeles will be case study. Case study is defined by Robert

---

K. Yin as, “One of many ways of conducting social science research.”\textsuperscript{34} Yin indicates that case study is a research strategy that helps investigators answer “why” or “how” questions. According to Yin, “the case study is used in many situations to contribute to our knowledge of individual, group, organizational, social, political, and related phenomena.”\textsuperscript{35} The case study approach is critical in this research, as it involves an in-depth examination of employment conditions in Atlanta, Georgia, and Los Angeles, California.

The method(s) of analysis proposed in this research is triangulation with multiple sources of data. Triangulation is defined as the comparison of multiple independent sources of evidence before deciding that there is a finding. The basic model of data analysis will be explanation building. Yin, describes this data collection techniques as an analytic strategy.\textsuperscript{36}

\textbf{Significance of the Study}

This study contributes to the availability and the strengthening of relevant policy-oriented black, and Latino information into the American political system. The Impact of the American Recovery and Reinvestment Act of 2009 on Black and Latino Unemployment” – a policy’s failure to improve black, and Latino unemployment is unique and significant because it updates current literature and adds a new empirical case

\textsuperscript{34} Robert K. Yin, \textit{Case Study Research: Design and Methods}. 3\textsuperscript{rd} Ed. (California: Sage, 2003), 1.

\textsuperscript{35} Ibid

\textsuperscript{36} Ibid, 109.
study which may provide criticism and support for existing policies aimed at minority populations within the United States. Despite formal participation in the American economic system, African Americans, and Latinos experience economic disparities at greater propensities and concentrations than their counterparts across time. One argues that structural racism and spatial mismatch have had a more significant impact on black and Latino unemployment than has the American Recovery and Reinvestment Act of 2009. In all, this study clarifies a contemporary issue in American political economy. That is, the impact of the American Recovery and Reinvestment Act of 2009 on blacks, and Latinos.

Examination of the American Recovery and Reinvestment Act of 2009 is significant because the Act was the first major policy initiative of President Barack Obama who promised to have a “bottom-up” approach to economic inequality. In “Reaching For A New Deal,” Theda Skocpol writes that Mr. Obama, “called for promoting growth and economic renewal “from the bottom-up” rather from the top down, in order to reinvigorate the American middle class and broaden its ranks.” At the end of 2009, one-million additional blacks’ fell to the “bottom” and were recorded among the 2,607,000 black, and 2,706,000 Latino unemployed. 

---


This research informs government and politics, policymaking, and adds significantly to the understanding of political phenomena. This study provides a structured environment for the study of the politics and the political analysis of a policy’s impact on both blacks and Latinos. Consequently this research equips stakeholders with the knowledge, skills, and ability to examine the impacts of politics, policy choices and policies on select populations and communities of people. Specifically, how the employment condition of blacks’ and Latinos is directly connected to the economic disparities which plague black, and Latino communities. Thomas Dye states that, “Policy studies can be undertaken not only for scientific and professional purposes but also to inform political discussion, advance the level of political awareness, and improve the quality of public policy.” The study and understanding of black, and Latino communities and the effect of economic policies leads to the creation of rational policymaking and activities that may boost economic growth within minority communities in metropolitan cities such as Los Angeles, California; Atlanta, Georgia; the focus of the case study, and cities like Detroit, Michigan, or Philadelphia, Pennsylvania which may have the need to implement policies for their black and Latino populations.

Organization of the Dissertation

The dissertation “The Impact of the American Recovery and Reinvestment Act on Black and Latino Unemployment” is organized into the writing of five scholarly chapters.

The first chapter of this dissertation will be the introduction and will include the following elements: the purpose of the study, which outlines the background of problem, the statement of the problem and the significance of the study which are critical elements within the introduction and provides the reasoning with which one has decided to create new knowledge for the political science discipline. The introduction will also specify the central research question which one seeks to answer, the hypothesis, and this chapter will offer an overview of the subsequent chapters.

Chapter two - the review of the literature will discuss and organize the literature which one will have uncovered and analyzed to-date regarding the research one has proposed. In this chapter this researcher will identify, analyze and synthesize the major facts, arguments, and conclusions contained the literature. Two major questions are addressed in this chapter, 1. Has the specific central research question been addressed in the literature? 2. Does the existing literature support the research hypothesis? This chapter summarizes the proposed study and defines the research variables and any relationships or gaps that may exist.

The conceptual and theoretical framework (research methods) is chapter three. Chapter three will include all the concepts contained in the research area and will operationalize these concepts together with the hypotheses. In this section I will indicate the theories that have been developed to describe and explain the relationship among black and Latino unemployment and the major concepts. This chapter will identify the methods that I will use to collect the data that I will need to answer the central research
question. This chapter will provide substantial, systematic evidence in support of the hypothesis. In this chapter I will defend my choice to use case study triangulation and its appropriateness, the limits of my resources, and the capabilities of the methods chosen.

Chapter four will present the Atlanta, Georgia and the Los Angeles, California case study. Suggesting, arguably, the solving of problems within the inner-city of Atlanta, or Los Angeles must be different because the traits are different. Therefore, the public policies designed to impact those most affected by the Great Recession must be formulated differently for blacks and Latinos than for whites— or the policy outcomes fail to meet their intended purpose.

Chapter five will be the presentation of the findings observed and discussed in the case study analysis of Atlanta, Georgia and Los Angeles, California and the conclusions of the study. This chapter summarizes and comments on the research findings. The chapter represents a sensitive explanation and description of the findings of the research. This chapter offers the critical knowledge gathered in support of the central research question and is a discussion of the implications of the findings, and what conclusions can be drawn based on the argument and the findings. The limitations of the study are presented to ensure proper generalizations can be extracted. The chapter also presents the recommendations for policymakers who formulate policy designed to impact diverse populations.
CHAPTER 2

REVIEW OF LITERATURE

Job losses in the Great Recession have been the largest and most sustained job losses for blacks since WWII. This Great Recession has also had a deeply rooted impact on Latinos in the United States as well. According to the Economic Policy Institute,

Racial and ethnic minority workers tend to have much higher unemployment rates than white non-Hispanic workers. For example, the black unemployment rate is generally around twice as high as the white unemployment rate, regardless of whether the economy is in an expansion or a recession. This means that during recessions, black workers experience much larger increases in unemployment.¹

The Latino rate of unemployment has, similarly to blacks, been wider and more pronounced. Concentrated joblessness and chronic unemployment among black and Latinos is the political reality experienced during the Great Recession. This study uses unemployment status to illustrate injustice in the American political economic system. The problem this study seeks to examine through literature is the inequitable and unequal distribution of employment among blacks, Latinos, and whites during the Great Recession, in the United States, and the impact of the ARRA policy of 2009 on Blacks and Latinos.

Employment status is a relevant political, social, and economic issue within the United States and the American political system. The American political and economic system is representative of the struggle of and the conflict between people and the distribution of resources. Blacks and Latinos represent the stark reality of the political struggle for group equality in an inequitable employment environment within the United States. Employment status, therefore, represents the power or lack of power that these two critically important groups possess within the American System.

Unemployment rates among the major race and ethnicity groups remained high in 2010 as the U.S. economy continued to slowly recover from the 2007 – 2009 recession. The jobless rate for blacks (16.0 Percent), Hispanics (12.5 percent), Whites (8.7 percent), and Asians (7.5 percent) were much higher than their prerecession levels.2

The literature reviewed for this study suggests that race and space play a critical role in employment status - employed, underemployed, unemployed, and the measureable and unmeasureable (racism, discrimination) characteristics associated with black and Latino employment. The specific issues of race and space will be discussed in the next chapters respectively.

Table 2.1 Unemployment Status by Race 3

<table>
<thead>
<tr>
<th>Year</th>
<th>% Black</th>
<th>% Latino</th>
<th>% White</th>
<th>% National</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>8.3</td>
<td>5.6</td>
<td>4.1</td>
<td>4.6</td>
</tr>
<tr>
<td>2008</td>
<td>10.1</td>
<td>7.6</td>
<td>5.2</td>
<td>5.8</td>
</tr>
<tr>
<td>2009</td>
<td>14.8</td>
<td>12.1</td>
<td>8.5</td>
<td>9.3</td>
</tr>
</tbody>
</table>

---


As discussed in the previous chapter, the conditions experienced by blacks have historically been different than whites and other racial groups in the United States. And, "...in spite of their emerging demographic presence in the United States, Latinos and Latinas remain poorly understood." This literature review will discuss and organize the literature which has been considered and analyzed to date regarding the relevant research on black and Latino unemployment following the Great Recession.

William Julius Wilson suggests in the passage below that unemployment or joblessness is a severe problem in American cities.

The consequences of high neighborhood joblessness are more devastating than those of high neighborhood poverty. A neighborhood in which people are poor but employed is different from a neighborhood in which people are poor and jobless. Many of today's problems in the inner-city ghetto neighborhoods - crime, family dissolution, welfare, low levels of social organization, and so on - are fundamentally a consequence of the disappearance of work.5

Essentially, the joblessness problems described by Wilson of a decade and a half ago, mirror the problems experienced by black and Latinos communities today. The unemployment crisis among blacks and Latinos is related to, and a consequence of political and social structural problems which are complex and deeply expand the inequality between blacks, Latinos, and whites in the United States. According to David Leonhardt, in his New York Times article, "Job Losses Show Breadth of Recession," he


indicates that, “The Great Recession of 2008 (and beyond) is hurting men more than women. It is hurting homeowners and investors more than renters or retirees who rely solely on Social Security checks. It is hurting Latinos more than any other ethnic group. A year ago, a greater share of Latinos held jobs than whites. Today, the two have switched places.” Blacks and Latinos have been devastated by Great Recession.

Employment status is political because it affects political attitudes and behaviors. According to authors Wilber J. Scott, and Alan C. Acock, “The unemployment literature contains mixed portraits of unemployment experience and its implications for political participation attitudes and behaviors. Some studies indicate that being unemployed induces withdrawal from political affairs. Other research suggests that unemployment sharpens political interest and activity.” Yet, my observation of the Scott and Acock article is clear that, despite status of employment, low-to-no-income participants, in the University of Michigan National Presidential Election Survey, “are less committed to voting, feel less efficacious, are less interested in politics, and are less politically active than persons of higher status.” Therefore, jobless or unemployed blacks and Latinos are less politically active than whites who have jobs and can spark political participation as demonstrated by the rise of the “Tea Party,” “Occupy” to a lesser extent, and other social post modernistic movements in the aftermath of the Great Recession. In addition, the voters that will likely decide the outcome of the 2012 presidential and 2014 midterm elections are the voters most impacted by the Great Recession.

---


7 Ibid.
Why a focus on the black and Latino populations in the United States? These populations represent a shift – a narrowing and a growing political significance respectively. The National Journal reports that,

Many of the groups that Obama needs to turn out most enthusiastically in 2012 – particularly young people, African-Americans, and Latinos – are still suffering the most as the economy crawls back from the Great Recession. That dynamic looms like a crack in the foundation for Obama’s reelection, which relies on those groups surging to the polls in 2012 after their participation sagged even more than usual in the 2010 midterms.  

Here one suggests that the political significance is represented in employment and labor force status and participation.

Unemployment among Blacks and Latinos is additionally a social problem in as much as it is an economic and political problem. Algernon Austin writes in the article, “Black Job Seekers are Still at the Back of the Bus,”

Pretty much all of the major social problems faced by African Americans are connected to the problem of the persistent high levels of joblessness. Of course, black poverty rates are linked to high black unemployment rates. We also know that poor children do worse in school than middle-class children. A significant part of the achievement gap stems from the high rate of black poverty.

The social implications linked to unemployment among blacks and Latinos were not addressed in the American Recover and Reinvestment Act despite the policy’s aim to assist those most impacted by the Great Recession. The Pew Hispanic Center issues a report titled, “Hispanics Say They Have the Worst of a Bad Economy,” which outlines the social and economic ills that Latinos report as having faced:

---


9 Algernon Austin, “Black Job Seekers are Still at the Back of the Bus,” The Huffington Post, April 24, 2012, Power and Politics.
Latinos, who make up 16% of the population of the United States, have long trailed other Americans on most measures of economic well-being, but analyses of recent government trend data indicate that the gaps have widened since 2005, a period that encompasses the housing market crash and the Great Recession. For example:

Household wealth: From 2005 to 2009, median household wealth (all assets minus all debt) among Latinos fell by 66%, compared with a drop of 53% among blacks and 16% among whites (Kochhar, Fry and Taylor, 2011).

Unemployment: According to the Bureau of Labor Statistics, the unemployment rate among Latinos in December 2011 was 11.0%, up from 6.3% at the start of the Great Recession in December 2007. Over the same period, the national unemployment rate increased from 5.0% to 8.5%.

Poverty: Between 2006 and 2010, the poverty rate among Hispanics increased nearly six percentage points—more than any other group—from 20.6% to 26.6%. By contrast, poverty rates among whites increased from 8.2% to 9.9%. And among blacks, poverty rates increased from 24.3% to 27.4% (DeNavas-Walt, Proctor and Smith, 2011).

This chapter identifies, analyzes and synthesizes the major facts, arguments, and conclusions contained in the literature about black and Latino unemployment in the United States since the Great Recession. Two major questions are addressed in this chapter through the literature, 1. Has the specific central research question of this study been addressed? 2. Does the existing literature support the research hypothesis? This review of literature focuses on the period during which the Great Recession transpired December 2007 – 2010.

---

The central research question discussed earlier is: To what extent has the American Recovery and Reinvestment Act of 2009 impacted the black and Latino unemployment rates as a result of the economic crisis of December 2007 through 2010 in Atlanta, Georgia, and Los Angeles, California? This research question examines the relationship between black and Latino unemployment and a governmental job creation policy as a result of the Great Recession. I argue that the differences in black, Latino and white unemployment are due to structural racism, spatial mismatch, and the American Recovery and Reinvestment Act, which was culturally insensitive, and has failed to achieve its stated purposes. Two of the policy’s purposes were (1) To preserve and create

---

jobs and promote economic recovery; and (2) To assist those most impacted by the recession.

There is a large body of literature available that focuses on unemployment and the empirical differences between blacks, Latinos, and whites in the United States. However, there has been less written about these differences since the Great Recession and the enactment of the ARRA policy of 2009. According to the U.S. Bureau of Labor Statistics, Report 1032 the writers state that:

Differences in labor force characteristics emerge when the race and ethnicity groups are compared. In general, differences in labor market characteristics among the major race and ethnicity groups reflect a variety of factors, not all of which are measurable. These factors include variations across the groups in educational attainment; the occupations and industries in which the groups work; the geographic areas of the country in which the groups are concentrated, including whether they tend to reside in urban or rural settings; and the degree of discrimination encountered in the workplace.¹²

Scholars have discussed over the years, the effect and impact of structural racism and have identified manifestations and indicators of this inequitable distribution of resources by individuals and institutions on blacks and Latinos.¹³ Spatial mismatch¹⁴, also a result

---


¹³ Structural racism in the United States is the normalization and legitimization of an array of dynamics – historical, cultural, institutional and interpersonal – that routinely advantage whites while producing cumulative and chronic adverse outcomes for people of color. It is a system of hierarchy and inequity, primarily characterized by white supremacy – the preferential treatment, privilege and power for white people at the expense of Black, Latino, Asian, Pacific Islander, Native American, Arab and other racially oppressed people (Keith Lawrence, and Terry Keleher, “Structural Racism: Chronic Disparity, Strong and Pervasive Evidence of Racial Inequities, Poverty Outcomes,” (paper presented at the Race and Public Policy Conference, 2004).

¹⁴ Serious limitations on black residential choice, combined with the steady dispersal of jobs from central cities, are responsible for the low rates of employment and low earnings of Afro-American workers (John Kain, "Housing Segregation, Negro Employment, and Metropolitan Decentralization," Quarterly Journal of Economics 82 (1968): 175-197).
of racism, has been discussed by economists, sociologists, and urban political scientists to demonstrate the effects of segregation on the geographic distance between blacks, Latinos, and whites, and their employment and can be found in the literature related to theories of economic, social, and political differences. Finally, much has been written on the public policymaking process in the United States. However, less literature has focused on the flawed and culturally insensitive activities of policymaking during the Great Recession.

What are the historical legacies that literature suggests be taken into consideration when formulating, and implementing a public policy? This question is significant because, “frequently when a policy decision is made, some groups are better off and some groups are hurt. Policymaking typically involves such a dilemma.” The record indicates that the conditions of blacks and Latinos in the United States are widely known by policy analysts and within the government. Yet public policy neither reflects the needs or policy preferences of blacks nor Latinos, nor has public policy done more positive than negative in harm to black citizens. The economic condition of blacks and Latinos, over time, within the United States sharply contrasts the differences between the economic (employment) state of affairs of blacks and Latinos as compared to whites.

---


Differences in Black, White, and Brown

The disparate problem for blacks and Latinos in the U.S. employment and unemployment arena remains as it was in the twentieth century: a problem of the color line.17 “Black people in the United States differ from all other modern people owing to the unprecedented levels of unregulated and unrestrained violence directed at them.”18 I argue that the violence (unequal treatment) directed at blacks and Latinos in the twenty-first century is of an economic nature versus the physical violence discussed by West, or the color line argument originally proposed by W.E.B. DuBois. The differences faced by blacks and Latinos compared to whites in the U.S. employment sphere are stark. This difference, directed at blacks and Latinos disproportionally inflicts scars that result in a black unemployment rate that is twice as large as whites, runs longer, and causes inequities which are generational in their effect on black and brown (Latino) Americans. “There is … substantial evidence that economic outcomes are passed across generations. As such, economic hardships for parents will mean more economic hurdles for their children.”19 Blacks, Latinos and whites have differences that matter materially, and as a result of these material differences - the U.S. economy does not work for blacks and Latinos as it works for whites.20


Employment differences often tract to inequity. Inequity is political, social, and economic difference normalized, wherein the differences ought to be concentrated equally among citizens in the United States. Political, social, and economic inequity can materialize in various human conditions. Unemployment is one such human condition. This study uses employment and unemployment status (rates) to illustrate injustice in the American political economic system and its policy prescriptions. For example, black and Latino citizens' unemployment rates being far above white citizens. Inequity is a black unemployment rate of 16%, a Latino unemployment rate of 12.5%, and a white unemployment rate of 8%. Inequity is an issue of fairness and justice; it is not simply about a measurement. Equality suggests that everyone in the United States who desires a job can become employed. Inequality is no job for blacks and Latinos who seek employment, when whites who sought employment have found employment. Inequality is government public policy whose objectives have failed to employ blacks and Latinos, while inequitably; whites succeed in finding employment as a result of the same public policy.

Economic disparities manifested though lack of employment, concentrated levels of unemployment, and comparatively low levels of job creating policies is a relevant political concern to policymakers and the African American (black) and Latino community because policies that alleviate (solve) the debilitating factors within the black urban center and the Latino communities benefit the larger American society as a whole. Research indicates that fewer home foreclosures, considerably less credit card
debt and fewer bankruptcies are the end results in communities when levels of unemployment are low.

Guy Peters in describing the cumulative effect of unemployment states that, “the effects of unemployment were increased because they were often concentrated in industries, such as automobiles and construction that had provided thousands of workers with stable and remunerative employment for decades.”\(^\text{21}\) It follows that unemployment is also concentrated in communities. Particularly in black communities, because of the segregated nature of these communities – the effects of unemployment are sharply pronounced. Considering the effect the changing nature of American cities has had, dating back to the 1970’s, on residents lives and employment opportunity - from centers of production and distribution to cities that include, “a widening gap between urban job opportunity structures and skill levels of disadvantaged residents (with corresponding high rates of structural unemployment), spatial isolation of low-income minorities, and rising levels of urban poverty and welfare dependency,”\(^\text{22}\) this transformation has uniquely contributed to the economic disparities of black and Latino communities.

Government influences economic activities, and by its actions or inaction determines public policy. Government actions which assign and protect property rights, activities which make provisions for the enforcement of private contracts are wealth-enhancing activities that help the productive capacity of an economy to blossom."\(^\text{23}\)


According to B. Guy Peters, "All the mathematical and economic capabilities in the world and all the substantive knowledge of policy areas are of little consequence if we have no moral or ethical foundation on which to base our evaluation of policies." Thus one suggests that government has an obligation to promote job creation targeted at blacks and within black communities, and to protect and enforce the wealth-enhancing activities that flow from such policies. "Most of the important elements of policy analysis have as much to do with the "should" questions as with the "can" questions. That is, most important policy decisions involve an assessment of what government should do, as much as they involve the feasibility question of what government can do."  

Scholars like Linda Faye Williams in *The Constraint of Race*, have discussed the "dimensions of racial inequality," the social problems and conditions which continue to challenge 21st century blacks, in spite of that, government policies have not effectively solved many of the social phenomena confronted in the daily lives of blacks, Latinos and other minorities, particularly economic disparities such as employment opportunities. The American Recovery and Reinvestment Act designed "to create new jobs and save existing ones, spur economic activity and invest in long-term growth; and foster unprecedented levels of accountability and transparency in government"

---

25 Ibid.
"spending," is the most visible public policy passed by the United States Congress and signed into law.

Dr. Keith Jennings suggests in "Economic Genocide: The Crisis of Black Youth Unemployment in the United States," that politics plays an instrumental role in the human tragedy that is concentrated unemployment. Jennings writes of the Quality of Life Alternative Budget,

The authors ... have asserted: In a nation as affluent as the United States of America, the existence of poverty, illiteracy and a chronically high level of unemployment is an economic waste and human tragedy. It is a political disaster that suggests more culpability on the part of those in office who inflict it and the American citizens who permit it.

Employment and unemployment are directly linked to poverty, educational attainment, housing, crime, and health. To be clear, employment opportunities are linked to a people’s ability to live a better, more prosperous life in the urban city. Beginning in December of 2007 the United States stood facing the largest economic crisis since the Great Depression. Job losses, corporate failings, bank runs, sharp declines in consumer confidence, unavailability of credit, and record numbers of mortgage foreclosures define the period from December 2007 through 2010 for much the United States as a whole. But based on the everyday life experiences of the average Latino or black person, these descriptive attributes have never been contained within such a short window of time. These attributes frame the Latino, and black experience in America. Given the purpose of the American Recovery and Reinvestment Act was, “to assist those most impacted by

the recession, one would surmise that this government policy (and others) would be derived from a comprehensive and extensive understanding of the unemployment crisis within, and outside the black, and the Latino communities.

Table 2.2 Economic Disparities

<table>
<thead>
<tr>
<th>Measure</th>
<th>White</th>
<th>Black</th>
<th>% Chg</th>
<th>White</th>
<th>Black</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Rate</td>
<td>2007</td>
<td>2008</td>
<td>2009</td>
<td>% Chg</td>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>1 Unemployment Rate</td>
<td>4.1</td>
<td>5.2</td>
<td>8.5</td>
<td>3.3</td>
<td>8.3</td>
<td>10.1</td>
</tr>
<tr>
<td>2 Income</td>
<td>$54,920</td>
<td>$55,319</td>
<td>$54,461</td>
<td>-1.6</td>
<td>$33,916</td>
<td>$34,088</td>
</tr>
<tr>
<td>3 Income Per Capita</td>
<td>$31,051</td>
<td>$31,194</td>
<td>$30,941</td>
<td>-0.8</td>
<td>$18,428</td>
<td>$18,336</td>
</tr>
<tr>
<td>4 Poverty</td>
<td>8.2</td>
<td>8.6</td>
<td>9.4</td>
<td>0.8</td>
<td>24.5</td>
<td>24.7</td>
</tr>
<tr>
<td>5 No Health Insurance</td>
<td>10.4</td>
<td>10.8</td>
<td>12.0</td>
<td>1.2</td>
<td>19.5</td>
<td>19.1</td>
</tr>
</tbody>
</table>

Table 2.3 Income Inequality

<table>
<thead>
<tr>
<th>Year</th>
<th>$ Black</th>
<th>$ Latino</th>
<th>$ White</th>
<th>$ National</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>33,916</td>
<td>38,679</td>
<td>54,920</td>
<td>50,233</td>
</tr>
<tr>
<td>2008</td>
<td>34,088</td>
<td>37,769</td>
<td>55,319</td>
<td>50,112</td>
</tr>
<tr>
<td>2009</td>
<td>33,132</td>
<td>38,667</td>
<td>55,360</td>
<td>50,599</td>
</tr>
<tr>
<td>2010</td>
<td>32,068</td>
<td>37,759</td>
<td>54,620</td>
<td>49,455</td>
</tr>
</tbody>
</table>


**Income Inequality**

Unemployment as a condition is a catalyst for other economic disparities which track from the condition, including income inequality, poverty, and access to health insurance coverage. The economic disparities that are produced by the U.S. economy point to material differences among blacks and whites. From an employment and income related perspective, income\(^{34}\) inequality provides an example of the differences between blacks, Latinos and whites which result from economic gaps between whites at the top, Latinos in the middle, and blacks at the bottom of the income or wealth scales. Prior to the Great Recession in 2007 the income gap between whites and blacks was $21,004, and the gap between Latinos and whites was $16,241. The income for whites was $54,920 and the income for blacks was $33,916. The income inequality between whites and blacks in 2007 was 38% and 29% for Latinos. In 2008 the inequality was $21,231 or 38%. In 2009 the income gap was $21,877. In fact, while white income declined by $858 black income declined by $1,504, a decline of 1.75 times the rate which white income dropped. Latino income declined in 2008 by $910 on average when both black and white incomes increased slightly. Income inequality between blacks, Latinos and whites continues to grow, and has been at its highest points since the post-war era.

\(^{34}\)Income: The Census Bureau’s official definition of income used to compute income and poverty trends. This definition combines all labor income (wage and salary and self-employment), all government cash transfers (unemployment insurance, Temporary Assistance for Needy Families, Social Security), pensions, alimony, rent, interest, dividends, and other money income. This definition does not take account of non-cash government assistance (e.g., Medicaid), taxation, and capital gains.
In *Latino/a Rights and Justice in the United States*, Morin writes of Minorities, but more specifically drawing to a point the condition of Latinos in the U.S. that, "It is still true that U.S. Minorities [including Latinos/as] are subject to stereotyping as low income, unskilled, uneducated crime-ridden, unemployed, and in some cases, as perpetual foreigners, and ... they are always required to prove their worth and compensate for their image."\(^{35}\) The unemployment rate among Latinos, blacks and whites represents the economic and social costs of discrimination. Arleen Davis a professor examines the reality of Latinos by posing several questions which when considered emphasizes why a focus on blacks and Latinos is important. She writes,

If Latinas are hot, does this mean that someone who is not “making it” is experiencing individual failure not social inequity? If the consumption indexes of blacks and Latinas are supposedly growing exponentially, does this mean that poverty, unemployment, or steady employment are no longer issues? After all, the people who are consuming must be making money; ... Alternatively, should we care if their income still lags behind that of whites?\(^{36}\)

The literature and the changes in household income indicate that income inequality is increasing further widening the gap between blacks, Latinos and whites.

**National Unemployment and Blacks and Latinos**

Employment status has a significant impact on individuals, families, communities, and cities. The impact of employment on an individual is typically indicative of a person’s self-worth, thereby meaning if a person has employment their outlook is more optimistic than a person who does not have employment. As stated earlier, employment


\(^{36}\) Ibid.
or lack thereof is a catalyst for a host of social ills that include poverty, educational attainment, transportation, housing and income inequality.

Table 2.4 Total Unemployment U.S. (percentages)  

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.9</td>
<td>7.1</td>
<td>7.2</td>
<td>5.6</td>
<td>5.6</td>
<td>4.0</td>
<td>5.8</td>
<td>5.5</td>
<td>4.6</td>
<td>5.8</td>
<td>9.3</td>
<td>9.8</td>
</tr>
</tbody>
</table>

In an August 26, 2010 Black Enterprise.com article titled, “Unemployment Still Uneven,” the author writes:

“Historically, African Americans have always experienced significantly higher unemployment rates. During times of economic contraction, large numbers of African Americans are hit harder and take a longer time to recover because many were already in a disadvantaged position. In the recession that lasted from July 1981 to November 1982, the national unemployment rate was 10.8%. During that same period, the unemployment rate for African Americans was a staggering 20.2%. Manufacturing, the sector that employed thousands of African American workers at the time, took a devastating hit.”

In 2007 the percent of the unemployed was 4.5% and the number of people was calculated at 3,196,000. In 2008 unemployment in the United State was 5.4% or the number of unemployed people was 3,891,000. In one year the number of unemployed Americans increased by 695,000 or 1.1%. Between 2008 and 2009 the unemployment rate dramatically increased by 3.5%, from 5.8% to 9.3%. The number of unemployed rose from 8,924,000 to 14, 265,000. In 2010 the number of unemployed workers in American increased to 14,825,000 or 9.6% of the labor force.  

The number of unemployed persons above indicates that a record number of people are jobless.

According to “Labor Force Characteristics by Race and Ethnicity, 2010,” “The employment-population ratios (that is, the proportion of the population that is employed) 


38 Ibid
for whites (54 percent), black (52.3 percent), Asians (59.9 percent), and Hispanics (59.0 percent) continued to trend down from 2009 to 2010." What these differences suggest is that talent, entrepreneurial effort or race or space play a significant role in the employment population ratios.

When one examines beneath these numbers a more pronounced conclusion can be illustrated. Black and Latino unemployment is unmasked at the national level. Black unemployment expressed as a percent of the total number of unemployed is consistently reported to be near 20% (Table 2.5 below). In 2008 the percent of blacks to total unemployed was 20%, 2009 the percentage was 18.3% and in 2010 the percentage 19.2%. Indeed, a record number of blacks and Latinos comprise the unemployed in America. Blacks are overrepresented (19.2%) in the pool of the unemployed considering blacks are 12% of the total civilian noninstitutional population.

---


40 Ibid
<table>
<thead>
<tr>
<th>Year</th>
<th># Unemployed White</th>
<th># Unemployed Black</th>
<th>% Black of Unemployed</th>
<th># Unemployed White</th>
<th># Unemployed Black</th>
<th>Black/White Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>3,906</td>
<td>906</td>
<td>18.6</td>
<td>5.1</td>
<td>10.4</td>
<td>2.04</td>
</tr>
<tr>
<td>1975</td>
<td>6,421</td>
<td>1,369</td>
<td>17.3</td>
<td>7.8</td>
<td>14.8</td>
<td>1.90</td>
</tr>
<tr>
<td>1980</td>
<td>5,884</td>
<td>1,553</td>
<td>20.3</td>
<td>6.3</td>
<td>14.3</td>
<td>2.27</td>
</tr>
<tr>
<td>1983</td>
<td>8,128</td>
<td>2,272</td>
<td>21.2</td>
<td>8.4</td>
<td>19.5</td>
<td>2.32</td>
</tr>
<tr>
<td>1984</td>
<td>6,372</td>
<td>1,914</td>
<td>22.4</td>
<td>6.5</td>
<td>15.9</td>
<td>2.45</td>
</tr>
<tr>
<td>1985</td>
<td>6,191</td>
<td>1,864</td>
<td>22.4</td>
<td>6.2</td>
<td>15.1</td>
<td>2.44</td>
</tr>
<tr>
<td>1986</td>
<td>6,140</td>
<td>1,840</td>
<td>22.3</td>
<td>6.0</td>
<td>14.5</td>
<td>2.42</td>
</tr>
<tr>
<td>1988</td>
<td>4,944</td>
<td>1,547</td>
<td>23.1</td>
<td>4.7</td>
<td>11.7</td>
<td>2.49</td>
</tr>
<tr>
<td>1989</td>
<td>4,770</td>
<td>1,544</td>
<td>23.7</td>
<td>4.5</td>
<td>11.4</td>
<td>2.53</td>
</tr>
<tr>
<td>1990</td>
<td>5,186</td>
<td>1,565</td>
<td>22.2</td>
<td>4.8</td>
<td>11.4</td>
<td>2.38</td>
</tr>
<tr>
<td>1991</td>
<td>6,560</td>
<td>1,723</td>
<td>20.0</td>
<td>6.1</td>
<td>12.5</td>
<td>2.05</td>
</tr>
<tr>
<td>1992</td>
<td>7,169</td>
<td>2,011</td>
<td>20.9</td>
<td>6.6</td>
<td>14.2</td>
<td>2.15</td>
</tr>
<tr>
<td>1993</td>
<td>6,655</td>
<td>1,844</td>
<td>20.6</td>
<td>6.1</td>
<td>13.0</td>
<td>2.13</td>
</tr>
<tr>
<td>1994</td>
<td>5,892</td>
<td>1,666</td>
<td>20.8</td>
<td>5.3</td>
<td>11.5</td>
<td>2.17</td>
</tr>
<tr>
<td>1995</td>
<td>5,459</td>
<td>1,538</td>
<td>20.8</td>
<td>4.9</td>
<td>10.4</td>
<td>2.12</td>
</tr>
<tr>
<td>1996</td>
<td>5,300</td>
<td>1,592</td>
<td>22.0</td>
<td>4.7</td>
<td>10.5</td>
<td>2.23</td>
</tr>
<tr>
<td>1997</td>
<td>4,836</td>
<td>1,560</td>
<td>23.1</td>
<td>4.2</td>
<td>10.0</td>
<td>2.38</td>
</tr>
<tr>
<td>1998</td>
<td>4,484</td>
<td>1,426</td>
<td>23.0</td>
<td>3.9</td>
<td>8.9</td>
<td>2.28</td>
</tr>
<tr>
<td>1999</td>
<td>4,273</td>
<td>1,309</td>
<td>22.3</td>
<td>3.7</td>
<td>8.0</td>
<td>2.16</td>
</tr>
<tr>
<td>2000</td>
<td>4,099</td>
<td>1,269</td>
<td>31.0</td>
<td>3.5</td>
<td>7.6</td>
<td>2.17</td>
</tr>
<tr>
<td>2001</td>
<td>4,923</td>
<td>1,450</td>
<td>29.5</td>
<td>4.2</td>
<td>8.7</td>
<td>2.07</td>
</tr>
</tbody>
</table>

---


42 Percent of Total Unemployed
William Julius Wilson suggests that politicians work toward common solutions to common problems (employment, unemployment, crime, social organization, welfare, and poverty. Wilson writes in *When Work Disappears: The World of the New Urban Poor*, “Because the problems of ghetto joblessness are so severe and because they are associated with social problems that make many of our central cities increasingly unattractive places in which to reside and work, a vision of interracial unity that acknowledges distinctively racial problems but nonetheless emphasizes common solutions to common problems is more important now than ever. Such a vision should be developed, shared, and promoted by all leaders in this country, but especially by political leaders.”

Wilson asserts that these efforts (of politicians) working on common issues within society, will promote political unity. Unity between politicians on common issues does not solve the problem of joblessness among blacks in the United States. I disagree with Wilson on the point he makes regarding working on the common and mutual interests of politicians because politicians are self motivated and often reflect in their policy prescriptions, their own individual values and ideological principles. In a political context, “it is evident that increasingly Democrats and Republicans, Liberals and conservatives, hold sharply different views about the legitimacy of government actions and which policies are acceptable to them.”

And, in a governing context Kraft further explains that, “The inevitable compromises lead to policies that may be less focused or

---


coherent than many would wish.”⁴⁵ The pursuit of the mutual interests and compromises expressed by Wilson, according to Kraft, cannot work in a political or policy context.

More important, Wilson is of two minds in *When Work Disappears*, because he also writes that, “solutions to the broader problems of economic marginality in this country, including those that stem from changes in the global economy, can go a long way toward addressing the problems of inner-city joblessness, especially if the application of resources includes wise targeting of the groups most in need of help.”⁴⁶ One agrees that effective targeting of the employment investment objectives of the American Recovery and Reinvestment Act, aimed at “those most impacted by the Great Recession,” specifically targeting blacks and Latinos would have prevented the Act from failing to meet its objectives.

There is a political significance to the differences between blacks, Latinos and whites. Whites are internal and integrated into the American political, social, and economic system, and blacks continue to be external to that system. Racism is the fundamental factor that makes the black situation distinctly different from that of whites and all other ethnic groups.⁴⁷ The competing ideas of liberty (freedom) and equality have been the “two-ness” continuously faced by blacks in the American political, social and economic system. Whites however, conceptualize both freedom and equality as

⁴⁵Ibid., 13.


indivisible. Yet it is equality rather than liberty (freedom) that persistently plaques the black community. “As long as blacks focused on liberty they enjoyed unquestionable support, but as soon as blacks began to successfully argue for equality with whites, (within the American system) whites found it incomprehensible.”48 Whites do not perceive blacks as their equals. Whites believe themselves to be inherently superior to blacks.

Literature reviewed across contemporary history – the historical legacies that one suggests should be considered when formulating and implementing public policy, can be documented during the economic crisis of the Great Depression era of the 1930s and the New Deal programs pursued by President Franklyn D. Roosevelt. In addition, the Great Society programs of the 1960s as pursued by President Lyndon B. Johnson. These historical legacies will be used to study the expected policy outcomes of government policy as a response to the economic crisis of 2007 – 2010 - the Great Recession and the American Recovery and Reinvestment Act pursued by President Barack Obama on black citizens.

Seldom has there been a more important issue of concern in the black community than employment and unemployment. Few issues are more important to blacks than is employment. Michael B. Preston writes, “The lack of such opportunities for blacks has been and remains a barrier to their social and economic progress in the United States. Further, Preston suggest in his article that the “Cornerstone of federal policy on employment was the 1964 Civil Rights Act, which outlawed discrimination on the basis

of race, color, religion, sex, or national origin in hiring compensation, and promotion.\textsuperscript{49}

The Civil Rights Act of 1964\textsuperscript{50} was a government policy designed to advantage blacks above the conditions that historically had disadvantaged the blacks in the economic American political system. Economic equality and improvement was the aim of that 1964 public policy.

In “Employment, Income and the Ordeal of the Negro Family,” Moynihan writes, “Given the ethnic group structure of American life, equality for Negro Americans means that they will have open to them the full range of American economic, social, and political life, and that within the pattern of endeavor that they choose, having assessed the comparative advantages of time, place, and cultural endowment, they will have a fully comparable share of the successes, no less than of the small winners and the outright failures.”\textsuperscript{51} Nonetheless, equality of blacks and Latinos with whites, equals incomprehension, in that, white Americans basically do not comprehend the nature of blacks and Latinos demands for equality.

Moynihan asserts employment as the key to black progress,

From the very outset, the principal measure of progress toward equality will be that of employment. It is the primary source of individual or group identity. In America what you do is who you are: to do nothing is to be nothing; to do little is to be little. The equations are implacable and blunt, and ruthlessly public.

For the Negro American it is already, and will continue to be, the master problem. It is the measure of white \textit{bona fides}. It is the measure of Negro competence, and also of American society. Most importantly, the linkage between problems of


\textsuperscript{50} Civil Rights Act of 1964, Public Law 82-352 (78 Stat. 241).

employment and the range of social pathology that afflicts the Negro community is unmistakable. Employment not only controls the present for the Negro American; but, in a most profound way it is creating the future as well.\textsuperscript{52}

Politics suggests that individuals work toward mutual interests. That is, politicians work to resolve societal conflicts in a way in which messages promote cooperation and a vision of commonality. However, politics is not policy. Politics suggests that we can calculate the area for objects such as a square or a triangle. Policy suggests that the formula for the area of a square is not the same formula as the area of a triangle. Yet we can calculate both the area of a square, and that of a triangle without much difficulty. It should not be surprising that the differences between blacks and whites are just as common and specific as the differences between a square and a triangle.\textsuperscript{53}

In the policy arena solutions for blacks and Latinos must be formulated to more accurately reflect the unique traits of blacks and Latinos in comparison to whites. Arguably, solving problems within the inner-city of Atlanta, or Los Angeles must be different because the traits are different than the issues affecting the suburbs and exurbs of metropolitan areas. Therefore, the public policies designed to impact those most affected by the Great Recession must be formulated differently for blacks and Latinos than for whites – or the policy outcomes fail to meet their intended purpose.


CHAPTER 3
METHODS AND THEORETIC FRAMEWORK

This study will utilize policy impact analysis as the method for understanding the impact of the American Recovery and Reinvestment Act of 2009 (ARRA) on black and Latino unemployment. Impact analysis can be “defined as being concerned with examining the extent to which a policy causes change in the intended direction.” The idea behind impact analysis is causality. Does the policy cause change? Or is the change, if any, or some of it, independent of the policy. One will use the case study (primary) approach. The approach here uses the case study method to make the inquiries necessary to answer the central research question and offer significant, systematic evidence in support of the research theoretical hypothesis.

This method will be used to answer the central research question, to what extent has government’s jobs creation policies impacted the black and Latino community during the economic crisis of December 2007 through 2010 in Atlanta, Georgia, and Los Angeles, California? The cities selected as objects of the study have been selected because they all have had elected black and Latino mayors, these cities are older, concentrated, and have significant populations of blacks and Latinos respectively. However, the impact of the policy will focus on the outcomes.
The analysis of the impact of the American Recovery and Reinvestment Act of 2009 on black and Latino unemployment will be based in the theoretic underpinning that follows: The American Recovery and Reinvestment Act of 2009 is less likely to have a positive impact on black and Latino unemployment than the negative effect of racism (structural and spatial mismatch). The analysis (results) will look at both the national impact of the American Recovery and Reinvestment Act, and its impact on the case studies of Atlanta, Georgia, and Los Angeles, California. These findings will be analyzed in the conclusion in Chapter 5.

Argument

This study presents the argument that black and Latino unemployment in the United States is a problem which has not been successfully addressed as part of the federal government’s job creation and policymaking process which resulted in the American Recovery and Reinvestment Act of 2009. This argument also seeks to impeach the Act as flawed in as much as it reduce or positively impact the unemployment disparity among blacks, Latinos, and whites. The components of the argument that one presents in this study are premise based; that is rooted in the background (introduction and statement of the problem), the initial conditions prior to the experiment (unemployment condition of blacks and Latinos prior to the Act), and the experiment (case study findings after the implementation of the Act); and the conclusion (research hypothesis).

According to Giere, in, “Logical Basis of Hypothesis Testing Scientific Research,” the argument one presents “meets the two (2) conditions justifying belief in the conclusion.
1. The premises (assumptions, experimental / initial conditions must themselves be justified
2. There must be sufficient connection between the premises and the conclusion.”

The framework used in this research is centered on the premise that race is a significant political issue in the United States. “America was created by 17th- and 18th—century settlers who were overwhelmingly white, British, and Protestant. Their values, institutions, and culture provided the foundation for and shaped the development of the United States in the following century. They initially defined America in terms of race, ethnicity, culture, and religion.”¹ Three-hundred years later race, culture, and ethnicity are still relevant in understanding the relationships between citizens within the United States and their employment status.

“The question of the employment disadvantage of Hispanics (Latinos)...likely has many parallels to the question of the employment disadvantage of blacks, where factors including spatial mismatch, skills, discrimination and labor market networks have all received attention as contributing factors.”² One posits that both blacks and Latinos are the recipients of joblessness from spatial locality, and discrimination, as opposed to recipients of assistance in the attainment of jobs as a result of American Recovery and Reinvestment Act. There are two theoretic underpinnings that one associates with black and Latino unemployment disparities which guide the research for this study. These theories assist in explaining why black and Latino unemployment is dramatically more pronounced than white unemployment in the United States. These theories also provide a

---

framework from which one also can view the impact of the American Recovery and
Reinvestment Act of 2009 on black and Latino unemployment suggesting that race and
space affected the impact of the Act. The two theories are: (1) Structural Racism, and (2)
Spatial Mismatch Theory.

**Structural Racism**

The Structural Theory of Racism "considers the ways in which the networked
operations between historical legacies, individuals, and institutional arrangements
produce unequal and hierarchical racial outcomes." This theory explains why the
historical legacy of racism should not be viewed as an isolated and past occurrence, and
the theory exposes the interrelated nature of individuals and institutions which work
together to limit opportunity, and allocate power, and resources (social, political, and
economic) to create racial inequity - unemployment disparities between blacks, Latinos
and whites. In the article titled, "Psychology of Black Unemployment," Sociologist
Michael Hodge stated,

There are some structural issues that are causes of the high rate of Black
unemployment, said the chair of the Morehouse College Department of
Sociology. "I don’t want to discount discrimination, because (it) is still a factor in
the high unemployment of African Americans, but there are some structural
factors at work as well. One of which is education. We have a lower rate of high
school completion and college graduation, and this is particularly true among
Black men today."

---

3 Kirwan Institute for the Study of Race and Ethnicity, “Bibliographical Guide to Structural

4 Cynthia E. Griffin, “Psychology of Black Unemployment,” *The Los Angeles Sentinel*, September
22, 2011.
Structurally systems within American society racially advantage whites and persistently disadvantage blacks and Latinos. These systems may include the educational system, the transit authority, federal housing policies, and employers. Often times these systems collaborate, creating institutional arrangements which birth unequal racial outcomes. The public education system in the United States is based in part on the geographic residential locations where citizens dwell. Black and Latino people located in one area of the city, and white counterparts housed in different residential locations. These locations represent a poor economic tax base, and a more affluent tax base in most cases. Taxes account for significant percentage of spending in school districts and can have a structural effect on the educational quality of students from low-tax based districts and result in lower graduation and workforce preparatory rates for blacks as compared to whites.

Structural Racism has been defined by many scholars interested in the effects of oppressed people, however this study utilizes the definition by Keith Lawrence and Terry Keleher. “Structural racism in the United States is the normalization and legitimization of an array of dynamics – historical, cultural, institutional and interpersonal – that routinely advantage whites while producing cumulative and chronic adverse outcomes for people of color. It is a system of hierarchy and inequity, primarily characterized by white supremacy – the preferential treatment, privilege and power for white people at the expense of Black, Latino, Asian, Pacific Islander, Native American, Arab and other racially oppressed people.”5 This definition operationalizes the effects of structural

---

racism in this study of the impact of ARRA policy on black and Latino unemployment compared to white unemployment.

There are strengths and weaknesses to the structural theory of racism. One believes that a strength of this theory as it relates to black and Latino unemployment is that there are measurable outcomes linking the unequal and inequitable results of education and workforce preparation in American society – employment status. Other indicators include disparities in power, access, opportunities, treatment, and policy impacts and outcomes as indicated during the 2004 Race and Public Policy Conference. These inequities form the foundations which support the persistent and pronounced gap in black and white unemployment differences.

The structural theory of racism has weaknesses. One clear weakness of the theory’s ability to explain unemployment differences between blacks, Latinos and whites is the American notion of individualism. According to Merriam-Webster, individualism is an idea which maintains the political and economic independence of the individual and stresses the initiative, action and interest of the individual as paramount. Individualism as a concept places enormous weight on one’s own personal abilities and refutes indications that systems exist which limit one’s freedoms, liberty⁶, access, and economic opportunities based on racial differences. This theory includes an individual actor as a component whose acts further the accountability of the collective. It can then be

---

⁶ Liberty. According to Barde, Shelly and Schmidt, in American Government and Politics Today: The Essentials, Liberty is defined as the greatest freedom of the individual that is consistent with the freedom of others in society.
explained that the actions of individuals, not collaborations of institutions and individuals work to limit opportunity along racial lines.

**Spatial Mismatch Theory (Hypothesis)**

Employers play a critical role in structural racism when they make decisions to locate or relocate jobs away from central population centers. According to Steven Raphael and Michael Stoll, “African Americans have the lowest car ownership of all racial and ethnic groups in the country, the researchers say, with 19 percent living in homes in which no one owns a car. That compares to 4.6 percent of whites in homes with no car, 13.7 percent of Latinos, and 9.6 percent of the remaining groups combined.”\(^7\) These employment relocation decisions, tough as they may be for blacks to control, when coupled with the transportation realities for blacks, as compared to whites make keeping, and obtaining employment a growing struggle for black workers and jobseekers. This inequity contributes to the escalating gap between black and white employment status.

The Spatial Mismatch Hypothesis (Theory) originally theorized by John Kain in "Housing Segregation, Negro Employment, and Metropolitan Decentralization,"\(^8\) asserts that, “Serious limitations on black residential choice, combined with the steady dispersal of jobs from central cities, are responsible for the low rates of employment and low earnings of Afro-American workers.”\(^9\)

---


The Spatial Mismatch Theory is causal. In that one can point to the federal housing policies to demonstrate the limitations placed on black and Latino residential choice, and the Michael Stoll (Metropolitan Policy Program – Brookings Institution) article, “Job Sprawl and the Spatial Mismatch between Blacks and Jobs,” to substantiate the low levels of black and Latino employment relative to whites to see how structural racism and spatial mismatch place blacks and Latinos at a power (social, economic, and political) disadvantage to whites in the United States.

Federal housing policies and programs were designed to create and maintain racial residential segregation. These programs and policies aims were to force black and white residents into white districts and black districts by practicing “red-lining” and allowing for the implementation of restrictive covenants. Marc Seitles’ 1996 article, “The Perpetuation of Residential Racial Segregation in America: Historical Discrimination, Modern Forms of Exclusion, and Inclusionary Remedies,” states that, “The role of federal and state government in creating and maintaining residential racial segregation must be understood, without excuse, as a reality of American history.” As such, these federal and in some cases state policies, worked to isolate blacks into undesirable areas of American cities in order to restrict black movement, liberty, and economic freedoms.

---


Stoll’s findings “strongly suggest that job sprawl exacerbates certain dimensions of racial inequity between blacks, Latinos, and whites in America. Blacks are more geographically isolated from jobs in high job-sprawl areas regardless of region, metropolitan area size, and their share of metropolitan population.”\(^{12}\) Job sprawl is the suburbanization of employment. Meaning the decentralization of jobs once located in the central cities to areas more than five to ten miles outside the perimeter of major cities. Job sprawl is a decision made by a company or employer to locate employment outside the structural limits of unwanted black workers which further limits black economic freedom and thus increases black unemployment.

The strength of the Spatial Mismatch Theory is that it represents empirical evidence that is demonstrated in a number of case studies related to employment issues that may lead to job losses for blacks. Principally, the Michael Stoll article prepared for the Institute for Research on Poverty, “Job Sprawl, Spatial Mismatch, and Black Employment Disadvantage.” Evidence presented in this article examines the positive relationship between job sprawl and the spatial mismatch between blacks and jobs. This ties a significant effect to mismatch conditions faced by blacks compared to whites. An additional strength to the theory is that it is causal. It is the result of decisions made by stakeholders within the policymaking process. The decision to locate jobs in areas of the city and suburbs where black and Latinos workers cannot access is intentional, and links spatial mismatch to structural racism.

A weakness of the Spatial Mismatch Theory is also a powerful strength. Evidence of spatial mismatch is often statistical and quantitative. Quantitative data is empirical and often can be used to hide normative explanations. Value judgments allow one to distinguish between the way things are and the way things ought to be. The inequitable distribution of jobs between blacks, Latinos and whites is empirically correct. However, blacks, and Latinos should not be on average twice as likely to be unemployed.

The pervasive nature of historic structural racism and spatial mismatch significantly contribute to the unemployment gap between blacks and whites. The structural theory of racism suggests that policies designed to address unemployment issues in America will disadvantage blacks, and Latinos and advantage whites. This theory suggests that institutions and individuals have collaborated to limit blacks’ opportunities in the U.S. and despite indicators and measurable manifestations of inequity, legislation and policy activities fail to address the gap between black, Latino, and white unemployment rates. Additionally, the spatial mismatch theory links with structural racism in a causal relationship in which the decisions to locate job in areas with access for blacks and Latinos to employment is limited.

The case study that follows details the information that was available to the policymakers and elected officials responsible for the American Recovery and Reinvestment Act and the cities whose residents were impacted by its outcomes. The case study will allow one to reasonable evaluate the impact of the Act on Blacks and Latinos in Atlanta, Georgia and Los Angeles, California.
Decades of immigration from Latin America have reshaped the social landscape of the United States. According to the 2000 U.S. Census, Latinos now constitute 13.4% of the nation’s population, making them the largest racial or ethnic minority group in the country. Nowhere are these changes more visible than in America’s major metropolitan areas, where Latinos remain largely concentrated (Guzman 2001). And perhaps no community is more acutely aware of the changes than African Americans, who are more likely to share neighborhoods with Latinos than any other racial or ethnic group (Glaeser and Vigdor 2001; Logan 2001).1

In the review of literature, one discussed the differences in black, white and brown (Latino), and the employment problems within the policy arena and the issues for blacks and Latinos that must be addressed to more accurately reflect prescriptions that are unique to the traits of blacks and Latinos in comparison to whites. One suggested that arguably, the solving of the problem of unemployment within the inner-city of Atlanta, or Los Angeles must be different because their traits are different. Therefore, the public policies designed to impact those most affected by the Great Recession must be formulated differently for blacks and Latinos than for whites – or the policy outcomes fail to meet their intended purpose. The purpose of this case study is to present the percentages of unemployment in the United States and in the cities of Atlanta, Georgia

---

and Los Angeles, California. However, other structural measures will be used to ferret out the effect and impact of the American Recovery and Reinvestment Act.

The central research question presented in this study seeks to answer questions about the structure of unemployment in American society and how it affects blacks and Latinos, both before and after The Great Recession (the period between the fourth quarter of 2007 and the end of 2010) and the impact of the Act on blacks and Latinos.

Understanding this key question and related questions is significant, observable and political. The research question is: To what extent has the American Recovery and Reinvestment Act of 2009 impacted the black, and Latino unemployment rates as a result of the Great Recession? This research question examines the historic (longstanding) nature of the differences between people of color and white unemployment.

The nation’s overall unemployment rate sits at 8.8 percent and the rate among white Americans is at 7.9 percent. For a variety of reasons — ranging from levels of education and continuing discrimination to the relatively young age of black workers — black unemployment tends to run twice the rate for whites. Yet since the Great Recession, joblessness has remained critically elevated among African Americans that is challenging longstanding ideas about what it takes to find work in the modern-day economy.

What theories accounts for the inequitable distribution of employment and jobs between blacks, Latinos, and white Americans? This case study will use this research question to assist in explaining the distribution of joblessness among blacks, Latinos and whites. The examination of this question provides the researcher with empirical data which is critical

---


in understanding the extent to which a policy may have an impact on these two communities of color. This research will advance the understanding of politics and government, and will enable policymakers, stakeholders and the impacted communities to better identify appropriate inputs and outcomes of public policy choices (the struggle between people, ideology, and decision-making) which equally improve society as a whole – not advancing whites and disadvantaging blacks or Latinos.

Table 4.1 Local Area Total unemployment (Race) Metropolitan Area  

<table>
<thead>
<tr>
<th>City</th>
<th>U.S. 2008 Unemployment Rate</th>
<th>U.S. 2009 Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Black</td>
<td>White</td>
</tr>
<tr>
<td>Atlanta, GA</td>
<td>10.3%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>11.2%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

Table 4.2 Local Area Total Unemployment (Race) Metropolitan Area

<table>
<thead>
<tr>
<th>City</th>
<th>Latino</th>
<th>White</th>
<th>Latino</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta, GA</td>
<td>8.7</td>
<td>5.3%</td>
<td>10.3</td>
<td>7.6%</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>9.3</td>
<td>7.0%</td>
<td>14.5</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

In this chapter, one examines the employment reality for Blacks and Latinos in two major metropolitan cities in order to draw out the impact of the American Recovery and Reinvestment Act of 2009 on unemployment. The case studies will also present the demographic profiles of Atlanta, Georgia and Los Angeles, California. The focus will be on pre-2008 employment status of blacks, Latinos, and whites. To illustrate whether the Act has had a positive impact on the employment condition – that is, lowered the unemployment rate, of the groups under study, one will assess the post Great Recession unemployment measures in the following chapter.

---

Unemployment rates for metropolitan areas, 2007 annual averages

(U.S. rate = 4.6 percent)
Unemployment rates for metropolitan areas, 2008 annual averages

(U.S. rate = 5.8 percent)

SOURCE: Bureau of Labor Statistics
Local Area Unemployment Statistics

NOTE: Also includes data for 372 metropolitan areas based on Office of Management
and Budget Bulletin No. 15-02.
Unemployment rates for metropolitan areas, 2009 annual averages

(U.S. rate = 9.3 percent)

SOURCE: Bureau of Labor Statistics
Local Area Unemployment Statistics
NOTE: Map includes data for 372 metropolitan areas based on Office of Management and Budget Bulletin No. 10-02.

- Above U.S. average
- U.S. average or below
Unemployment rates for metropolitan areas, 2010 annual averages
(U.S. rate = 9.6 percent)

SOURCE: Bureau of Labor Statistics
Local Area Unemployment Statistics

NOTE: Map includes data for 372 metropolitan areas based on Office of Management and Budget Bulletin No. 10-02.

- Above U.S. average
- U.S. average or below
It is important to note that residential location – space, is a significant political, economic and social measure of the power of “we-groups” - racial and ethnic minorities such as blacks and Latinos because as will be demonstrated in the case of the two metropolitan cities, geographic location (residential segregation) determines economic opportunity. Economic opportunity in this study refers to employment or a job. Michael Stoll argues in “Job Sprawl and the Spatial Mismatch between Blacks and Jobs,” that, “scholars and policy makers concerned with racial inequality have long pointed to the racial segregation of African Americans as a key determinant of black poverty. The confinement of black households to geographically isolated inner-city neighborhoods has
been linked to relatively poor employment outcomes, among other factors." Mary J. Fischer and Marta Tienda write that the factors resulting from "race and space" are, "... affordable housing, quality schools, public safety, transportation, and recreational and social amenities are unequally distributed across space. Where people live also influences access to jobs that pay family wages." In reporting race and space in this study one will use three indices to report on the geographic segregation — the index of dissimilarity, exposure, and isolation indices.

**Two (2) Metropolitan Cities**

Atlanta, Georgia, and Los Angeles, California are among the largest metropolitan areas in the United States. According to John R. Howard in "A Framework for the Analysis of Urban Black Politics," the problems facing black cities "... is the high rate of black unemployment." Large numbers of jobs have been lost in these cities and millions

---


8 Index of Dissimilarity: According to John R, Logan (Brown University) and Brian J. Stults (Florida State University) in Racial and Ethnic Separation in Neighborhoods: Progress at a Standstill, the standard measure of segregation is the Index of Dissimilarity(D), which captures the degree to which two groups are evenly spread among census tracts in a given city. Evenness is defined with respect to the racial composition of the city as a whole. With values ranging from 0 to 100, D gives the percentage of one group who would have to move to achieve an even residential pattern — one where every tract replicates the group composition of the city. A value of 60 or above is considered very high. For example a D score of 60 for black-white segregation means that 60% of either group must move to a different tract for the two groups to become evenly distributed. Values of 30 to 60 are usually considered moderate levels of segregation, while values of 30 or less are considered low.

of jobs across the nation. In an article titled, “Uneven Pain: Unemployment by Metropolitan Area and Race, Algernon Austin states, “While every metropolitan area has experienced some negative economic consequences from the Great Recession, not all areas have suffered equally.” The article examined unemployment in the fifty (50) largest metropolitan areas in the United States by race. In this report by the Economic Policy Institute selected key findings about black unemployment indicate:

- None of the metropolitan areas had a black unemployment rate below 7.3%. Nearly half of the areas – 24 – had white unemployment rates below that level.
- Three (3) times the white rate, Minneapolis and Memphis were the metropolitan areas with the highest black-white unemployment ratio

A significant finding in the article, concludes that high rates of joblessness, and unemployment does harm to families and communities, and indicates that unemployment may “cause long-term social and economic damage that cannot be easily fixed even when the economy finally recovers.” The author of “Uneven Pain” finds that, “in many instances, disparities are visible in unemployment rates even when we compare racial subgroups with the same level of education. We need to ensure that nonwhites have equal

10 The Bureau of Labor Statistics (BLS) does not provide unemployment estimates for metropolitan areas by race. To create these estimates, the EPI applied unemployment ratios derived from the Current Population Survey to the Local Area unemployment Statistics (LAUS). The LAUS provides more accurate metro area unemployment rates, but it does not have data by race.


employment opportunities in the labor market.” What accounts for these systemic differences in black, Latino, and white employment? Oliver Libaw of ABC News wrote on August 13 based on the U.S. Census data, “The overriding thing [the new data show] is that the black concentration is still in the South.” The U.S. Census data indicated that blacks are largely concentrated in the South and in Major Cities. Nearly 60 percent of blacks reside in the South. The report indicated that of 96 counties in the U.S. that report a African American majority, all but 1 – 95 of the counties were in the South. The Libaw ABC News article, “U.S. Blacks, Whites Geographically Split,” indicates that, “major cities like New York, Chicago, Detroit and Los Angeles made up the other area of concentration for African-Americans. Chicago and New York alone accounted for 9 percent of the nation's black population, the Census report found.” One argues that race and space – that is discrimination and geographic segregation play a central role in the employment differences in black, Latino, and white employment condition.

Atlanta, Georgia Profile

City-Data.com has prepared a profile of the city of Atlanta, Georgia which is useful in understanding the city of Atlanta and why one would focus on such a diverse city in the American southeast. The following citation will provide you with an overview of the major industries and commercial activity of the city,

While the Coca-Cola Company wields considerable influence in Atlanta—much of it in areas outside its immediate manufacturing concerns—no single industry or

firm truly dominates the local economy. Service industries employ the largest number of workers, but trade and manufacturing are also important elements. Having such diversity, Atlanta has been slower to suffer a downturn and quicker to recover from any temporary setback than many other major American cities. In fact, metropolitan Atlanta saw a decrease in unemployment and an increase in its labor force between 2002–2003 despite the country's economic recession during that time period.

In 2000, 24 Fortune 1000 corporations were headquartered in metropolitan Atlanta. Atlanta is home to BellSouth, Delta Airlines, Home Depot, UPS, and Georgia-Pacific, among other big names.

The Atlanta MSA added more than 1.1 million new residents between 1990–2000, which has attracted more and more new businesses. Metropolitan Atlanta has consistently led the nation in new housing permits every year since 1991, leading the way in 2003 with 53,750 new permits, according to Bureau of Census figures. In 1991, according to the National Association of Home Builders, the number was nearly 25,000; in comparison, 2002 topped off at 66,550. Efforts by Georgia Tech and local industry to make Atlanta a high-tech center are paying off; even though much of the technology field suffered losses, Atlanta held steady and was ranked third in 2003 among the top ten metropolitan areas in this field by the Milken Institute. Atlanta is also becoming a leading world center of business and trade. More than 1,300 foreign-based businesses have operations in metropolitan Atlanta, and they employ more than 81,000 residents.

*Items and goods produced:* metals, machinery, transportation, equipment, food and beverages, printing, publishing, textiles, apparel, furniture, telecommunications hardware, steel, chemicals

Incentive Programs—New and Existing Companies

Georgia has the reputation for being a strong pro-business state. Many new companies have relocated to metro Atlanta and have either built new facilities or converted vacant office space. The various local and state business incentives offered have encouraged these company moves as well as expansions of local firms.

Local programs

Atlanta was an empowerment zone city named by the Clinton administration, but in 2002 it converted to a "Renewal Community" allowing the city to benefit from a nationwide pot of $17 billion in tax incentives. Businesses within the three "renewal clusters" that were created receive tax credits and deductions, capital gains exclusives, and bond financing.

State programs
Georgia has business-friendly tax laws; the state does not use the unitary tax method, but instead taxes businesses only on income apportioned to Georgia. In addition, at four percent the state sales tax rate has risen only one percentage point since 1951. Attractive inventory tax exemptions are available in all metropolitan Atlanta counties, and sales and property tax exemptions are available for certain pollution control equipment used in production. Georgia's Freeport zones, like Atlanta's, exempt for ad valorem taxation all or part of the value of certain tangible property held in certain inventories. Companies can apply for a permit from the Georgia Environmental Protection Division which can result in their obtaining their federal permit as well, via a single application.

Job training programs
The Georgia Department of Technical and Adult Education administers the Georgia Quick Start program, a three-way partnership between Quick Start, one of the state's technical institutions, and a company wishing to start up business in Georgia via 34 technical colleges and institutes, 4 associated university programs, and 18 satellite campuses. By developing and implementing high quality customized training programs and materials, Quick Start assists the company in obtaining a trained work force ready to begin as soon as the company opens for business. In addition, metro Atlanta's 43 colleges and universities provide a continuing supply of educated and ready-to-work graduates.

Development Projects
The staging of the 1996 Centennial Olympic Games in Atlanta had a tremendous impact on development that extends today. More than $2 billion was spent on new construction, sporting arenas, entertainment venues, and beautification projects in preparation for the games. Another $100 million was spent on hotel renovations and expansions. The downtown area received the lion's share of the improvements as the city furthered its goal of becoming world class. Buildings were leveled and 21 acres were cleared to create the $57 million Centennial Olympic Park, which now serves as the centerpiece of downtown Atlanta. Following the Olympics, the city was left with several other multimillion-dollar sporting venues, including Turner Field, now home to the Atlanta Braves; the Georgia International Horse Park; and the Stone Mountain Tennis Center. While all of the Olympics-related construction was going on, downtown living was making a comeback with the construction of new housing units. In December 2004 Centennial Park West, which began building in 1999–2000, sold three of its million-dollar penthouse suites leaving it only four short of sellout. This property is part of Legacy Property Group, LLC who has also been involved in a 435,000 square foot, $100 million hotel and residential development that has brought the downtown area an Embassy Suites Hotel and several fine dining restaurants.
Meanwhile, in midtown Atlanta, the redevelopment of a 145-acre site (formerly a steel mill) as a community of homes, offices, shops, and hotels connected to surrounding areas by bicycle lanes, walking paths, and public transportation has been designated by the U.S. Environmental Protection Agency as a national model for innovative development that improves air quality. This designation allows developers to build a bridge across I-75/85, connecting midtown to areas west of the Downtown Connector.

Atlanta has long been the center of business activity and development in the Southeast. In October 2004 Cousins Properties Inc. announced leases with three companies to occupy the new building of a 31-story, 500,000 square foot office tower. Construction on a new headquarters building for the Centers for Disease Control and Prevention is to be completed in 2005 with an estimated cost of $81 million for the 12-story, 360,000 square foot facility. In February 2005 CSX Transportation opened its $8 million technology-driven training center to future engineers, conductors, and other technicians.

Commercial Shipping
An extensive array of air, rail, and truck connections makes Atlanta a city with a robust cargo industry. Hartsfield-Jackson Atlanta International Airport is the main focus of activity. A Foreign Trade Zone located near the airport at the Atlanta Tradeport provides companies with an opportunity to delay, reduce, or eliminate customs duty on imported items, while the U.S. Customs Service Model Inland Port is a highly computerized center designed to expedite quick clearance for international freight.

The railroad, for so long crucial to Atlanta's well-being, continues to serve the city through two major systems, CSX and Norfolk Southern, which operate more than 100 freight trains in and out of the city daily. In 2003 the Association of American Railroads named Atlanta as its first "Freight Rail Smart Zone" as two million railcars transport vast amounts of consumer goods throughout the region. Several hundred motor freight carriers also offer their services in Atlanta, as do many other carriers that transport only their own products.

Labor Force and Employment Outlook
Atlanta enjoys an expanding labor pool derived from the surrounding counties and from people coming to the city from other parts of the country and the world. Skilled laborers are more than willing to relocate to Atlanta. Wages have been the fastest-growing in the country; that trend is predicted to continue for the next 20 to 30 years as Atlanta creates more high quality jobs.

According to figures released by the Bureau of Labor Statistics in 2000, between 1998-2025 metropolitan Atlanta is projected to gain 1.8 million net new jobs becoming the new hub for high-tech companies—some call it the "Silicon Valley
of the South." Atlanta led the list of "Top 25 Cities for Doing Business in America" by *Inc.* magazine in March 2004; specifically mentioned was its diverse economic structure.\(^{14}\)

**Atlanta, Georgia – Demographic Profile**

Atlanta, Georgia is located in the American southeast. The state of Georgia has an unemployment rate of 10.2\%^{15}. Atlanta, Georgia is in many ways considered to be the “black capital” in the United States. Many in the black community look to Atlanta for hope and inspiration when considering the opportunities that the Civil Rights struggles have afforded blacks. In 2009 the overall unemployment rate in Atlanta, Georgia was 9.6 percent. The white unemployment rate in 2009 was 7.6 percent compared to a 14 percent black unemployment rate. In 2008 the black-white unemployment ratio was 2.0. Blacks in Atlanta, Georgia are twice as likely to be unemployed in the “black capital” as whites. The Latino unemployment rate in 2009 was 10.3 percent.

---

\(^{14}\) [http://www.city-data.com/us-cities/The-South/Atlanta-Economy.html](http://www.city-data.com/us-cities/The-South/Atlanta-Economy.html)

\(^{15}\) Georgia Department of Labor, Unemployment Rate and Nonagricultural Employment, Georgia Department of Labor, [www.dol.ga.us](http://www.dol.ga.us) (accessed February 26, 2011).
Table 4.3 Structural Demographics Great Recession 2009

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>Unemployment</th>
<th>Income</th>
<th>Educational Attainment</th>
<th>Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>54%</td>
<td>15.7%</td>
<td>$32,876</td>
<td>81.4</td>
<td>26.5</td>
</tr>
<tr>
<td>White</td>
<td>38.4%</td>
<td>5.1%</td>
<td>$53,910</td>
<td>90.4</td>
<td>5.7</td>
</tr>
<tr>
<td>Latino</td>
<td>5.2%</td>
<td>10.3%</td>
<td>$38,853</td>
<td>60.9</td>
<td>-</td>
</tr>
<tr>
<td>Atlanta</td>
<td>420,003</td>
<td>9.8%</td>
<td>$45,171</td>
<td>86.2</td>
<td>15.7</td>
</tr>
</tbody>
</table>

The poverty rate presented in this chart is for Fulton County, and according to the 2000 Census Report.

The population of the city of Atlanta, while diverse is actually quite concentrated among blacks and whites. The Latino population of Atlanta is growing, but represents only 5.2 percent of the city’s residents based on the U.S. Census Bureau. Blacks represent 54 percent of the resident of the city. Whites represent 38.4 percent of the city’s residents.

**Atlanta, Georgia Economic Profile**

The economic profile of the city of Atlanta is an important political, social, and economic indicator of the strength of a resident’s ability to maintain the living standards associated with participation in the American system, including housing, civic functions, consumption, and other related activities. The economic profile of the city of Atlanta profiled in the table above includes income, poverty, and the percentage of black and Latino owned businesses reported by the U.S. Census Bureau.

---

The medium income of residents in Atlanta is $45,171, and $49,347 for the state, compared to $50,112 in the United States. The medium income for blacks is 32,876 which is considerably lower than both the national, state, and local income levels. The white medium income in Atlanta is $53,910 which is higher than the state level, and higher than both the national and local levels, as well as higher than both the black and Latino medium incomes. The Latino medium income is $38,853 which is lower than the national, state, and local income levels, but higher than the blacks, and lower than whites. The economic profile of blacks and Latinos based on income, in the city of Atlanta is bleak – as it is across the nation. Blacks make $0.61 on the dollar for every dollar of income whites make in the U.S. and Latinos make $0.72 on the dollar for every dollar of income whites make.

The concentration of poverty and the resulting poverty rates are used as measures of the economic, social and political well-being of people. In the city of Atlanta, Georgia as across the United States, poverty identifies where the impoverished are spatially located, and where they are concentrated among the resident of Atlanta. According to Steven McMullen, and William J. Smith, poverty is the, “status of an individual … determined by the Bureau of the Census, and is based on income and family structure; however, geographic cost of living differences are not considered in the determination of poverty status,” in the Georgia State University article, The Geography of Poverty in the
Atlanta Region. The poverty rate for the city of Atlanta is also a measure of the institutional structures in place to regulate the economy. The overall poverty rate for the city is 22 percent and the rate for the state is 15.7, and the rate for blacks is 26.5 percent. The white poverty rate for the city of Atlanta is 5.7 percent.

**Atlanta, Georgia Educational Attainment**

Education and levels of attainment is a structural issue in the United States, and critical in the city of Atlanta, Georgia. Educational attainment is valuable as it can be a determinant of employment status and income earnings. The city of Atlanta is comparable to the nation in terms of its level of 25 year olds who have attained a high school diploma or its equivalent. The state of Georgia have an overall educational attainment rate of 83.0, and that South’s regional rate is 83.4, as compared to the city of Atlanta at 86.2. Black residents in the city of Atlanta have a rate of 81.4 which is lower than the U.S., the state of Georgia, and the city of Atlanta. Whites in the city have an educational attainment rate of 90.4 as compared to a Latino rate of 60.9.

**Atlanta, Georgia Industry Profile – Participation Rates**

The major industries in the city and metropolitan area of Atlanta are listed above, and no greater detail will be provided, however the Equal Employment Opportunity Commission’s EEO-1 Aggregate Reports the participation rates of the residents of the city of Atlanta as follows:

---

17 Steven McMullen, and William J. Smith, "The Geography of Poverty in the Atlanta Region, Georgia State University, Census Issue 7, 2000."
Table 4.4 EEO-1 Aggregate Report for Georgia - Employment Categories 2007

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>33.65</td>
<td>7.87</td>
<td>18.38</td>
<td>20.60</td>
<td>34.42</td>
<td>32.35</td>
<td>40.47</td>
<td>24.80</td>
<td>42.38</td>
<td>42.95</td>
<td>47.80</td>
</tr>
<tr>
<td>White</td>
<td>54.31</td>
<td>87.06</td>
<td>75.37</td>
<td>70.14</td>
<td>57.93</td>
<td>56.59</td>
<td>53.35</td>
<td>63.20</td>
<td>41.44</td>
<td>28.11</td>
<td>40.20</td>
</tr>
<tr>
<td>Minority</td>
<td>45.69</td>
<td>12.94</td>
<td>24.63</td>
<td>29.86</td>
<td>42.07</td>
<td>43.41</td>
<td>46.65</td>
<td>36.80</td>
<td>58.56</td>
<td>71.89</td>
<td>59.80</td>
</tr>
</tbody>
</table>

The Participation rate by industry is represented in the table above. In the table above the “1” represents (Executive/Senior Level Managers). The “2” represents (First/Mid Level Manager and Officials). The “3” represents (Professionals). The “4” represents (Technicians). The “5” represents (Sales Workers). The “6” represents (Office & Clerical Workers). The “7” represents (Craft Workers). The “8” represents (Operatives). The “9” represents (Laborers). The “10” represents (Service Workers). Based on the EEO-1 Aggregate report for Georgia, blacks primarily work as service workers, and as office and clerical workers versus the concentration of whites in top level classifications, and Latinos labor concentrated in the labor related employment sector.

---

Table 4.5 EEO-1 Aggregate Report for Georgia - Employment Categories 2010

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>33.00</td>
<td>6.81</td>
<td>18.07</td>
<td>20.58</td>
<td>32.20</td>
<td>32.90</td>
<td>41.16</td>
<td>22.74</td>
<td>42.12</td>
<td>43.04</td>
<td>47.1</td>
</tr>
<tr>
<td>White</td>
<td>55.12</td>
<td>87.10</td>
<td>74.60</td>
<td>68.96</td>
<td>59.24</td>
<td>58.39</td>
<td>51.64</td>
<td>65.48</td>
<td>42.63</td>
<td>29.29</td>
<td>39.3</td>
</tr>
<tr>
<td>Latino</td>
<td>7.45</td>
<td>2.38</td>
<td>3.51</td>
<td>2.7</td>
<td>4.02</td>
<td>4.51</td>
<td>4.06</td>
<td>8.79</td>
<td>11.99</td>
<td>24.16</td>
<td>9.5</td>
</tr>
<tr>
<td>Minority</td>
<td>44.88</td>
<td>12.9</td>
<td>25.4</td>
<td>31.04</td>
<td>40.76</td>
<td>41.61</td>
<td>48.36</td>
<td>34.52</td>
<td>57.37</td>
<td>70.71</td>
<td>60.7</td>
</tr>
</tbody>
</table>

Following the Great Recession the EEO-1 Aggregate Report displays shifts in the industries that blacks, Latinos, and whites, and other Minorities have resulted in. Blacks and Latinos are still working in the labor and service sectors, however at lower participation rates, and in relatively fewer of the “Executive/Senior Level Managers, First/Mid Level Manager and Officials, and Professionals” ranks.

Atlanta, Georgia Area Unemployment (Employment Status)

Table 4.6 Atlanta (City) Unemployment by Race during Great Recession

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>9.7</td>
<td>9.8</td>
<td>10.0</td>
<td>15.7</td>
<td>24.1</td>
</tr>
<tr>
<td>White</td>
<td>3.7</td>
<td>1.3</td>
<td>2.9</td>
<td>5.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Latino (MSA)</td>
<td>5.0</td>
<td>6.3</td>
<td>8.7</td>
<td>10.3</td>
<td>10.3</td>
</tr>
</tbody>
</table>

The unemployment rates presented in the table above represent the inequity experienced by blacks and Latinos before and during the Great Recession. Such that by 2009, the

---

black unemployment rate had increased significantly in the city of Atlanta, from the start of the Great Recession - more than doubling. The Latino unemployment rate had doubled by 2010, but did not approach the level of unemployed blacks. Whites' unemployment rate had increased by 2009 but did not come close to the rate for blacks or Latinos.

**Geographic Profile – “Spatial Location”**

The dissimilarity index for Atlanta is 72.6, and represents the percentage of households and “we-groups” that would have to relocate to “create a uniform distribution within the total population.” According the index of dissimilarity index the city of Atlanta is one of the most highly geographically isolated and segregated cities in the South; and ranks among the 20% of highly segregated cities in the United States.  

<table>
<thead>
<tr>
<th>Table 4.7 Black-White, Latino-White Segregation (D) 1980-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Atlanta</strong></td>
</tr>
<tr>
<td>Black</td>
</tr>
<tr>
<td>Latino</td>
</tr>
</tbody>
</table>

---


Based on a report on the city of Atlanta's continued spatial segregation, a number of causes of the spatial location of residents are listed including housing preference, "negative racial stereotypes placed upon black people." The consequences of geographic segregation of blacks from whites and Latinos in Atlanta contribute to "continuous stereotyping and racial segregation of black people in Atlanta ... and it becomes clear that they are at a disadvantage." This condition results in "less job opportunities (due to stereotypes), which could lead to lower socio-economic status (SES), poor housing conditions, disease, crime, violence, and death."23

Los Angeles County Profile

The Los Angeles County Economic Development Corporation reports the Los Angeles County Profile based on statistical information from a collection of business and economic indicators for the Los Angeles five-county Area (Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties). The LAEDC writes,

Los Angeles County (Los Angeles-Long Beach-Glendale Metro Division) covers 4,084 square miles, and had a July 1, 2009 population of 10,409,000 residents; an increase of 832,900 persons since 2000. The County's population would make it the eighth largest state in the nation, just behind Ohio and ahead of Michigan. (California Department of Finance)

A quick demographic profile of Los Angeles County indicates that: 47.7% of the population is Hispanic, 28.7% white non-Hispanic, 13.0% Asian-Pacific Islander, 8.5% black; and 2.1% other races. About 75% of the population has a high school


23 Ibid.
diploma, while 28% holds a bachelor's degree or more. (American Community Survey 2008)

Los Angeles County has a diverse economic base. Measured by 2008 employment, the leading industry clusters are: 1.) tourism and hospitality with 458,000 workers; 2.) professional and business services with 268,000 workers; 3.) entertainment (motion picture/TV production, etc.) with 262,000 workers; 4.) wholesale distribution with 172,000 workers; and 5.) health services and biomedical with 153,000 employees.

The "new economy" of Los Angeles County is largely technology driven. This sector includes bio-medical, digital information technology, and environmental technology, all of which build on the vibrant technical research capabilities in the County. Another key driver is creativity. There is a growing fusion between technology and creativity such as in video games and film production.

Los Angeles is the largest manufacturing center in the U.S., employing 433,200 workers in 2008. The most important sectors are: apparel with 55,000 workers; computer & electronic products with 54,100 workers; transportation equipment with 50,500 workers; fabricated metal products with 48,900 workers; and food products with 41,900 workers.

International trade is a major driver of the area's economy. The Los Angeles Customs District—which includes the ports of Long Beach and Los Angeles, Port Hueneme, and Los Angeles International Airport—is the nation's largest. The value of two-way trade passing through Los Angeles totaled $355.8 billion in 2008, compared with $353.4 billion for second-place New York. Major investments are under way to expand the ports, LAX airport and related transportation facilities in Los Angeles County.

Higher and specialized education is a strength of Los Angeles County, with 112 four-year public and private colleges and universities. These range from UCLA, USC, California Institute of Technology, and the Claremont Colleges to top-rated specialized institutions like the Art Center College of Design, the California Institute for the Arts, the Fashion Institute of Design and Merchandising, and the Otis College of Art and Design. Medical education is also a strong point; Los Angeles has two each of medical schools, dental schools, and eye institutes, plus specialized research and treatment facilities like the City of Hope. In additions, the County's 33 community colleges offer many innovative programs, including culinary arts, fashion design, multimedia, and computer assisted design and manufacturing.
Los Angeles County's transportation network is extensive. In addition to the ports and LAX airport, there are two other busy commercial airports (Bob Hope [in Burbank] and Long Beach). The freeway system is well-known. Less well known are the many mass transit options, including Amtrak, Metrolink (commuter heavy rail), and MetroRail (subway & light rail). The Burlington Northern Santa Fe and Union Pacific railroads provide excellent cross-country freight service.

Quality of life options are numerous and varied in Los Angeles County. Recreation opportunities range from professional sports to personal recreation at beaches, marinas, and mountain resorts. The number of fine and performing arts activities is growing, as well as special festivals including the renowned Tournament of Roses. Notable landmarks include the Getty Center, Walt Disney Concert Hall, California Science Center, and the Staples Center sports arena, and the Aquarium of the Pacific in Long Beach.24

Clearly, the county and city of Los Angeles is diverse and complex, based on the county profile presented above by the Los Angeles Economic Development Corporation. In the discussion to follow the focus will be directed on the residents of the city and county of Los Angeles in order to provide the data from the case to analyze the central research questions presented in the introduction above. The structural features that follow help to explain the “Race and Space” explanation of the disparity in black and Latino unemployment.

Los Angeles, California – Demographic Profile

Los Angeles, California is located on the American west coast. Los Angeles, California is located in the state of California (1850). California is the most populated state, and Los Angeles is listed as California’s largest city. The population of California in 2010 as reported by the U.S. Census Bureau is 37,253,956. The population of Los Angeles, California is 3,898,742.

Angeles is 3,792,621 representing an estimated 10% of the state's population. The population can be further categorized based on percentage of race and ethnicities as follows: whites 28.7 percent, Blacks 9.6 percent, Latinos (Hispanics) 48.5 percent, persons reporting two of more races 4.6 percent, and Asians 11.6 percent.  

The data reveals that Latinos make up the largest share of the “minority” population, and blacks represent the smallest share of the “minority” population in the city of Los Angeles.

Table 4.8 Structural Demographics Great Recession

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>Unemployment</th>
<th>Income</th>
<th>Educational Attainment</th>
<th>Poverty %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>9.6%, 362,752</td>
<td>9.2</td>
<td>$32,876</td>
<td>81.4</td>
<td>28.0</td>
</tr>
<tr>
<td>White</td>
<td>28.7%, 1,084,475</td>
<td>5.5</td>
<td>$53,910</td>
<td>90.4</td>
<td>10.1</td>
</tr>
<tr>
<td>Latino</td>
<td>48.5%, 1,832,650</td>
<td>5.8</td>
<td>$38,853</td>
<td>60.9</td>
<td>29.6</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>3,778,658</td>
<td>5.9</td>
<td>$49,138</td>
<td>73.7</td>
<td>15.9</td>
</tr>
</tbody>
</table>


Los Angeles, California Economic Profile

The economic profile of the city of Los Angeles is an important political, social, and economic indicator of the strength of a resident’s ability to maintain the living standards associated with participation in the American system, including housing, civic functions, consumption, and other related activities. The economic profile of the city of Los Angeles described here includes income, poverty, and the percentage of black and Latino owned businesses reported by the U.S. Census Bureau.

The medium income of residents in Los Angeles is $49,138, and $60,883 for the state, compared to $50,112 in the United States. The medium income for blacks is 32,876 which is considerably lower than both the national, state, and local income levels. The white medium income in Los Angeles is $53,910 which is lower than the state level, but higher than both the national and local levels, as well as higher than both the black and Latino medium incomes. The Latino medium income is $38,853 which is lower than the national, state, and local income levels, but higher than the blacks, and lower than whites. The economic profile of blacks and Latinos based on income, in Los Angeles is dire – as it is across the nation. Blacks make $0.61 on the dollar for every dollar of income whites make. Latinos make $0.72 on the dollar for every dollar of income whites make.

Poverty in the city of Los Angeles is 15.9% and the poverty rate for the state is 13.7%. The poverty rate for blacks in the city is estimated at 28 percent. The Latino

---

poverty rate in the city is 29.6 percent. The white poverty rate in the city is 10.1 percent. Whites in the city of Los Angeles have the lowest poverty rate among blacks, Latinos, and among the other resident of the city. The Black poverty rate is 2.7 times the rate of whites, and the Latino poverty rate is nearly 3 times that of whites. Poverty is not always the single most effective determinant of employment status, because a number of the residents of Los Angeles have jobs. But what about the condition of poverty among those black and Latino residents who do not have jobs? However, poverty results from lack of income, and income is a determinate of employment.

It is also important here to note the percentage of business firms owned by the residents of the city of Los Angeles to round out the economic profile of the city. The total number of business firms owned in the city of Los Angeles is 450,108 of the 3,425,510 owned business in the state California. Black owned businesses represent 5.8 percent of the firms in the city versus 4 percent in the state. Latino owned businesses represent 21.1 percent of business firms in the city of Los Angeles versus 16.5 percent in the state. The concentration of black and Latino owned-firms in Los Angeles is greater than the concentration of firms in the state of California.

Los Angeles, California Educational Attainment

Education and levels of attainment is a structural issues in the United States, and critical in the city of Los Angeles, California. Educational attainment is valuable as it can be a determinant of employment status and income earnings as discussed in the city
of Atlanta profile. In the city of Los Angeles nearly 74 percent of the residents aged 25 and older have attained at least a high school diploma as opposed to nearly 81 percent in the state, 84.1 percent in the western United States, and 85.3 percent across the nation. However, these numbers have an additional relevance: nearly 26 percent of the residents in Los Angeles do not have a high school diploma or equivalent, compared to less than 15 percent of American citizens.

Los Angeles, California Industry Profile

The Los Angeles “industry profile” provides a lens into the industries that Los Angeles labor force works within and the percentage of the workforce each industry represents.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Estimate</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, fishing, and hunting, and mining</td>
<td>6,865</td>
<td>0.4%</td>
</tr>
<tr>
<td>Construction</td>
<td>120,623</td>
<td>6.7%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>176,547</td>
<td>9.8%</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>56,956</td>
<td>3.2%</td>
</tr>
<tr>
<td>Retail trade</td>
<td>185,020</td>
<td>10.3%</td>
</tr>
<tr>
<td>Transportation and warehousing, and Utilities</td>
<td>72,870</td>
<td>4.1%</td>
</tr>
<tr>
<td>Information</td>
<td>104,074</td>
<td>5.8%</td>
</tr>
<tr>
<td>Finance and insurance, and real estate and rental and leasing</td>
<td>125,501</td>
<td>7.0%</td>
</tr>
<tr>
<td>Professional, scientific, and management, and administrative and waste management services</td>
<td>239,249</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

The U.S. Census Bureau reports educational services, and health care and social assistance as the largest share of the workforce at 19 percent, followed by profession, scientific, and management, and administrative and waste management services at 13.3 percent, then, arts, entertainment, and recreation, and accommodation and food services at 11.2 percent. However, the EEO-1 Aggregate Report for California for 2007 illustrates the employment aggregate categories of California’s workforce by race (black, Latino, white).

**Table 4.10 EEO-1 Aggregate Report for California - Employment Categories 2007**

|        | Total | 1   | 2   | 3   | 4   | 5   | 6   | 7   | 8   | 9   | 10  |
|--------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Black  | 7.02  | 2.32| 4.90| 4.60| 7.00| 7.97| 10.56| 4.87| 7.83| 5.53| 9.67|
| White  | 43.15 | 77.14| 64.64| 55.96| 45.99| 50.21| 43.58| 40.91| 24.92| 16.16| 31.33|
| Latino | 32.42 | 8.19| 15.19| 9.48| 21.39| 29.27| 28.66| 44.02| 52.01| 69.05| 44.74|
| Minority| 56.85| 22.86| 35.36| 44.04| 54.01| 49.79| 56.42| 59.09| 75.08| 83.84| 68.67|

The Participation rate by industry is represented in the table above. In the table above the “1” represents (Executive/Senior Level Managers). The “2” represents (First/Mid Level

---

Manager and Officials). The “3” represents (Professionals). The “4” represents (Technicians). The “5” represents (Sales Workers). The “6” represents (Office & Clerical Workers). The “7” represents (Craft Workers). The “8” represents (Operatives). The “9” represents (Laborers). The “10” represents (Service Workers). Based on the EEO-1 Aggregate report for California, blacks primarily work as office and clerical workers, and rarely can be found in executive and senior level positions. Whereas whites dominate the executive and senior level management positions and first and Mid level professions. Latinos are concentrated in the laborer classifications. The information in the tables demonstrates the pre-Great Recession economic environment in the city of Los Angeles, and the state of California.

Table 4.11 EEO-1 Aggregate Report for California - Employment Categories 2010

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>6.87</td>
<td>2.35</td>
<td>4.65</td>
<td>4.44</td>
<td>6.89</td>
<td>7.30</td>
<td>9.56</td>
<td>4.46</td>
<td>6.80</td>
<td>5.55</td>
<td>10.9</td>
</tr>
<tr>
<td>White</td>
<td>42.42</td>
<td>76.47</td>
<td>62.72</td>
<td>53.78</td>
<td>43.22</td>
<td>47.77</td>
<td>41.70</td>
<td>40.50</td>
<td>23.64</td>
<td>16.88</td>
<td>31.5</td>
</tr>
<tr>
<td>Latino</td>
<td>31.84</td>
<td>7.39</td>
<td>15.58</td>
<td>9.71</td>
<td>22.44</td>
<td>31.44</td>
<td>30.60</td>
<td>43.07</td>
<td>54.39</td>
<td>68.55</td>
<td>42.8</td>
</tr>
<tr>
<td>Minority</td>
<td>57.58</td>
<td>23.53</td>
<td>37.28</td>
<td>46.22</td>
<td>56.78</td>
<td>52.23</td>
<td>58.30</td>
<td>59.50</td>
<td>76.36</td>
<td>83.12</td>
<td>68.4</td>
</tr>
</tbody>
</table>

Los Angeles, California Area Unemployment (Employment Status)

According to the BLS the state of California has an overall unemployment rate of 12.3%. In 2009 the Los Angeles metropolitan area had an overall unemployment rate of 11.7%. The white unemployment rate in the metropolitan area was 11.2%, compared to a
black unemployment rate of 15%. In the city, the black unemployment rate just prior to and during the Great Recession is 9.2 percent in 2007, 10.5 percent in 2008, 18.2 percent in 2009, and 22.6 percent in 2010. Latinos, during the same period achieved a 5.8 percent in 2007, a 9.3 percent in 2008, a 14.5 percent in 2009, and a 14.2 percent unemployment rate in 2010. Comparably, whites in the city have a lower unemployment rate than both blacks and Latinos, in all four years. The Los Angeles Times reports, “The losses are slamming California’s minority workers. Black unemployment -- which tops that of other racial groups in the best of times -- has reached levels not seen in decades. The average annual unemployment rate among blacks in California was 12.5% in February, compared with 7.8% for whites and 10.4% for Latinos, whose jobless rate has grown faster than that of other groups because of a heavy dependence on construction jobs.”

In the state of California job losses continue to grow, affecting public employees and private sector employees alike.

Table 4.12 Los Angeles (City) Unemployment by Race during Great Recession

<table>
<thead>
<tr>
<th>Year</th>
<th>Black</th>
<th>White</th>
<th>Latino</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>13.9</td>
<td>5.2</td>
<td>5.9</td>
</tr>
<tr>
<td>2007</td>
<td>9.2</td>
<td>5.5</td>
<td>5.8</td>
</tr>
<tr>
<td>2008</td>
<td>10.5</td>
<td>8.7</td>
<td>9.3</td>
</tr>
<tr>
<td>2009</td>
<td>18.2</td>
<td>12.8</td>
<td>14.5</td>
</tr>
<tr>
<td>2010</td>
<td>22.6</td>
<td>12.9</td>
<td>14.2</td>
</tr>
</tbody>
</table>

---


The unemployment rates presented in the table above represent the inequity experienced by blacks and Latinos before and during the Great Recession. Such that by 2009, the black unemployment rate had doubled in the city of Los Angeles from the start of the Great Recession. The Latino unemployment rate had doubled by 2009, but did not approach the level of unemployed blacks. Whites' unemployment rate had also doubled by 2009 but did not come close to the rate for blacks or Latinos.

Table 4.13 Total employment, over-the-year percent change in employment by industry super sector, United States and the Los Angeles metropolitan area September 2011.\(^{35}\)

Table 4.3 above provides a look at the total nonfarm employment for the Los Angeles-Long Beach – Santa Ana Metropolitan Statistical Area. Based on the BLS report you can see the number of job losses experienced within the United States overall and the corresponding job losses in the Los Angeles-Long Beach – Santa Ana Metropolitan

Statistical Area. These job losses are not equally distributed across all citizens. Table 4.1 and Table 4.2 illustrate the inequitable distribution of the unemployment conditions in the United States. Particularly, the concentration of unemployment on blacks and Latinos in the Los Angeles metropolitan area.

**Los Angeles, California – Geographic (Space) Profile**

Increasingly and more deliberately than it may have seemed in the past, Latinos have focused their presence in the United States, and not solely in the south western states and in large numbers (Zúñiga and Hernández-León, 2005). While historically focused regionally and in a small number of larger SMA’s, Latinos are concentrating in non-historic cities since 1980s, and in the 1990s according to Logan, Stowell, and Oakley, “redrawing ethno-racial landscapes along the way.”

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>81.2</td>
<td>73.2</td>
<td>67.5</td>
<td>69.4</td>
</tr>
<tr>
<td>Latino</td>
<td>57.3</td>
<td>61.1</td>
<td>63.2</td>
<td>63.8</td>
</tr>
</tbody>
</table>

---


37 Fischer et al., 2004; Logan, Stowell, and Oakley, Chapter 3; 2002

Based on the article, “Redrawing Spatial Color Lines: Hispanic Metropolitan Dispersal, Segregation, and Economic Opportunity,” by Mary J. Fischer and Marta Tienda, Latinos are, “Fueled by high levels of immigration from Mexico, Central America, and South America, the Hispanic geographic scattering presents the paradox of rising levels of regional and national integration combined with resegregation of old gateway cities and diverse settlement patterns in the new destinations (Alba and Nee, 1999; Logan, Stowell, and Oakley, 2002).”

I argue that the problem in the United States and its metropolitan cities is the increasingly high levels of black and Latino unemployment and lack of job creation as a result of public policies designed to respond to white joblessness and white economic liberty, while neglecting the negative social problems and conditions identified in the black and Latino neighborhoods.

In this chapter, one examined the employment reality for Blacks and Latinos in two major metropolitan cities in order to draw out the impact of the American Recovery and Reinvestment Act of 2009 on unemployment. The case studies presented the demographic profiles of Atlanta, Georgia and Los Angeles, California. The focus of the cases was the pre-2008 employment status of blacks, Latinos, and whites. In order to illustrate whether the Act has had a positive impact on the employment condition – that is, lowered the unemployment rate, of the groups under study, one will assess the post Great Recession unemployment measures in the following chapter.

CHAPTER 5
FINDINGS AND CONCLUSION

President Barack H. Obama indicated, “We were able to prevent America from going into a Great Depression. We were able to, after a series of quarterly GDP reports that were the worst that we’ve seen since the Great Depression, reverse it and get the economy to grow again. We’ve seen 20 straight months of consecutive job growth.”

Black and Latino unemployment is higher at the end of President Obama’s first term in office, than when the president was sworn in on January 20, 2009. In January 2009 black and Latino unemployment rates nationwide had risen from 8.3% and 5.6% to 14.8% and 12.1% respectively. As compared to a white unemployment rate rise nationwide from 4.1% to 8.5%.

Figure 5.1 National Unemployment Rates 2002 through 2011
Blacks and Latinos are experiencing record levels of unemployment and rising at rates steeper than that of whites. Black and Latino unemployment during the Great Recession are at Great Depression levels.

The findings in this study reveal and highlight how imbalanced the experience of unemployment is in the United States following a policy response to the Great Recession. The case study findings suggest that in cities like Atlanta, Georgia and Los Angeles, California the unemployment experience for blacks and Latinos is felt more acutely than for whites following the American Recovery and Reinvestment Act. While Figure 5.1 illustrates the disparity between the unemployment rates of blacks, Latinos, and whites within the United States, the history of the uneven levels of unemployment among these groups can be witnessed in periods of recession and non-recessionary cycles. The unemployment gap between blacks, Latinos and whites is usual, however unacceptable. Between December 2007 and early 2010 the American economy lost more than 8.4 million jobs.¹

The Economic Policy Institute and the National Bureau of Economic Research determined that at the official end of the Great Recession that no less than ten facts should be noted:

1. The real gap in the labor market is now around 11 million jobs.
2. Job growth this recovery outpaces that following the 2001 recession, but is still too slow.
3. The loss of public-sector jobs is a huge obstacle to growth in this recovery.
4. Most of the improvement seen this recovery consists of a decline in layoffs, not an increase in hiring.
5. The current problem is not that we lack the right workers, it’s that we lack enough job openings.
6. The share of the working-age population with a job has not yet improved.

7. "Underemployment" has also improved very little in the recovery.
8. Unemployed workers continue to face near-record spells of unemployment.
9. Racial and ethnic minorities have fared far worse than whites in both the recession and the recovery.
10. Wage growth remains extremely low.\(^2\)

The central focus of this study lay in the finding that blacks and Latinos have not benefited from the government's policy to "assist those most impacted by the recession."\(^3\) This was one of the stated purposes of the American Recovery and Reinvestment Act of 2009. While other factors may have contributed to the unemployment conditions experienced by blacks and Latinos, for example "race or space." These externalities are offered herein to assist in explaining the absence of a positive impact of the Act on blacks and Latinos. Exploration of the impact of "race or space' on the unemployment condition of blacks and Latinos is outside the scope of this study – and limit the generalization of the findings contained in this research.

As discussed in Methods and Theoretical Framework, the idea behind this impact analysis is causality. Does the American Recovery and Reinvestment Act of 2009 cause change in the intended direction – the lowering of unemployment rates for blacks and Latinos? Or is the change, if any, or some of it, independent of the American Recovery and Reinvestment Act?

There are two theoretic underpinnings that one associates with black and Latino unemployment disparities which assisted the research for this study as they offer explanations to the changes not caused by the Act. These theories can assist in explaining


why black and Latino unemployment is dramatically more pronounced than white unemployment in the United States. They are associated with the concepts of “race or space.” These theories and to a large extent, externalities also provide a framework from which one also can view the impact of the American Recovery and Reinvestment Act of 2009 on black and Latino unemployment. The two theories are: (1) Structural Racism, and (2) Spatial Mismatch Theory.

The Great Depression is remembered as a dark economic period in the 20th century. The Great Recession is considered to be modern America’s darkest economic period since the Great Depression. Great care was put forth by President Obama’s economic team to prevent the Great Recession from turning into Great Depression – the sequel. Yet for blacks and Latinos, at the start of the Great Recession, their employment experience is an experience similar to Great Depression level unemployment.

<table>
<thead>
<tr>
<th>Depression Era vs Great Recession National Unemployment Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.9</td>
</tr>
<tr>
<td>8.9</td>
</tr>
<tr>
<td>2.9</td>
</tr>
</tbody>
</table>

**Great Depression UE Rate**
- National Unemployment Rate
- Black Unemployment Rate
- Latino Unemployment Rate
- White Unemployment Rate

Figure 5.2 Great Depression and Great Recession level unemployment rates, adopted from Carter, Susan B. et al. 2006. "Table a470-477 Labor Force, employment, and unemployment: 1980-1990."
The American Recovery and Reinvestment Act was the political solution to the Great Recession’s impact on the nation’s skyrocketing unemployment rate. Unemployment in 1932 was recorded at 22.9 percent\(^4\) as a national unemployment rate. As a national rate, the Great Recession has not reached that level. However, the black national unemployment rate has matched Depression level unemployment rates in 2008, 2009, and 2010. The Latino national unemployment rates also matched Depression level rates in 2008 and 2009. These rates matched or exceeded 1929, 1930, and 1983 levels respectively as shown in figure 5.1 and figure 5.2. The American Recovery and Reinvestment Act of 2009 was marketed as the solution to stem the loss of jobs by injecting stimulus into the economy at historic levels. Recovery in the era of the Great Recession would be a modern test of government intervention in the form of economic stimulus as was experienced during the Great Depression — a Keynesian response to the catastrophic decline in economic growth, widening losses in employment and the rise of unemployment in the United States. The methodology used to analyze the central research question will be “movement in the intended direction.” In this case a lowering of the unemployment rate for blacks and Latinos nationwide. On a national level: the central research question:

**Question:** To what extent has the American Recovery and Reinvestment Act of 2009 impacted the black, and Latino unemployment rates as a result of the Great Recession?


Table 5.1 National Unemployment Status by Race

<table>
<thead>
<tr>
<th>Year</th>
<th>% Black</th>
<th>% Latino</th>
<th>% White</th>
<th>% National</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>8.3</td>
<td>5.6</td>
<td>4.1</td>
<td>4.6</td>
</tr>
<tr>
<td>2008</td>
<td>10.1</td>
<td>7.6</td>
<td>5.2</td>
<td>5.8</td>
</tr>
<tr>
<td>2009</td>
<td>14.8</td>
<td>12.1</td>
<td>8.5</td>
<td>9.3</td>
</tr>
<tr>
<td>2010</td>
<td>16.0</td>
<td>12.5</td>
<td>8.7</td>
<td>9.6</td>
</tr>
<tr>
<td>2011</td>
<td>15.8</td>
<td>11.5</td>
<td>7.9</td>
<td>8.9</td>
</tr>
<tr>
<td>Difference</td>
<td>+1</td>
<td>-0.6</td>
<td>-0.7</td>
<td>-0.4</td>
</tr>
</tbody>
</table>

Table 5.1 records a 1% increase in the unemployment rate among blacks from 2009 to 2011. This 1% increase in the unemployment rate for blacks, represents an addition of approximately 225,000 more blacks to the ranks of the unemployed. This is negative change in the intended direction. At the same time, nearly 624,000 blacks were added to those who fell out of the labor force. For Latinos, the data indicates a better national picture. Latino unemployment fell by -0.6 or six-tenths of 1 percent from 2009 to 2011. This decrease in unemployment rate was better than the national average overall. Yet, nearly 1 million more Latinos fell out of the labor force. At the national level the employment condition for Latinos remains mixed.

---

The theme associated with the findings of this study is change, policy, race, and space. According to Michael Grunwald, the American Recovery and Reinvestment Act reflected President Obama’s “belief in government as a driver of change.” Michael Grunwald goes on to say that, “reasonable people can disagree about the Recovery Act, and there ought to be great debates about its implications for government intervention in various sectors of the economy.” One agrees with the author of *The New New Deal*, and offers this study as significant to the scholarly dialogue.

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.

This statement from the Obama campaign in 2008 demonstrates the fact that the brain trust surrounding the president wasn’t necessarily concerned with those most impacted by the Great Recession, but with Americans in general. Blacks and Latinos have in the modern era been in a recession as compared to their white counterparts. This information has been available to policymakers as far back as 1972, yet the American Recovery and

---


7 Ibid, 34.

Reinvestment Act did not explicitly consider the impact of the Act on these micro-communities who largely worked in the hardest hit industries.

Table 5.2 Annual Number and Percent Unemployed by Race, 1972-2001⁹ (thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th># Unemployed White</th>
<th># Unemployed Black</th>
<th>% Black of Unemployed⁹</th>
<th>% Unemployed White</th>
<th>% Unemployed Black</th>
<th>Black/White Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>3,906</td>
<td>906</td>
<td>18.6</td>
<td>5.1</td>
<td>10.4</td>
<td>2.04</td>
</tr>
<tr>
<td>1980</td>
<td>5,884</td>
<td>1,553</td>
<td>20.3</td>
<td>6.3</td>
<td>14.3</td>
<td>2.27</td>
</tr>
<tr>
<td>1984</td>
<td>6,372</td>
<td>1,914</td>
<td>22.4</td>
<td>6.5</td>
<td>15.9</td>
<td>2.45</td>
</tr>
<tr>
<td>1988</td>
<td>4,944</td>
<td>1,547</td>
<td>23.1</td>
<td>4.7</td>
<td>11.7</td>
<td>2.49</td>
</tr>
<tr>
<td>1992</td>
<td>7,169</td>
<td>2,011</td>
<td>20.9</td>
<td>6.6</td>
<td>14.2</td>
<td>2.15</td>
</tr>
<tr>
<td>1996</td>
<td>5,300</td>
<td>1,592</td>
<td>22.0</td>
<td>4.7</td>
<td>10.5</td>
<td>2.23</td>
</tr>
<tr>
<td>2000</td>
<td>4,099</td>
<td>1,269</td>
<td>31.0</td>
<td>3.5</td>
<td>7.6</td>
<td>2.17</td>
</tr>
<tr>
<td>2001</td>
<td>4,923</td>
<td>1,450</td>
<td>29.5</td>
<td>4.2</td>
<td>8.7</td>
<td>2.07</td>
</tr>
</tbody>
</table>

Understanding the national unemployment landscape is important. Its importance lay in the very nature of policymaking in the United States – how does one national policy impact the over 89,000 governmental units¹¹ or jurisdictions which make up the country. The evaluation of the impact of a public policy on cities is critically important in this era of globalization. Cities like Atlanta, Georgia and Los Angeles, California are at the crossroads of the expansion and integration of globalization. According to Dennis R. Judd, and Thomas Swanstrom the global economic crisis that began to unfold in 2008 has

---


¹⁰ Percent of Total Unemployed

¹¹ U.S. Census Bureau
Disparities in unemployment illuminate this divide. The problem discussed throughout this paper is the continued and disproportionate rate of unemployment between blacks, Latinos, and whites in the United States, Atlanta, GA, and Los Angeles, CA following the passage of the American Recovery and Reinvestment Act of 2009.

**Case Study Findings**

The purpose of the Case Study on Atlanta and Los Angeles was to investigate micro-level impacts of the Act. The case study that proceeded (chapter 4) details the information that was available to the policymakers and elected officials responsible for the American Recovery and Reinvestment Act and the cities whose residents were impacted by its outcomes. The case study allows one to reasonable analyze, evaluate, and report on the impact of the Act on black and Latino unemployment in the United States — as a whole, in Atlanta, Georgia and in Los Angeles, California. The data from the case will be organized around the major concepts, themes, and the central research question: To what extent has the American Recovery and Reinvestment Act of 2009 impacted the black, and Latino unemployment rates as a result of the Great Recession?

The chart below presents the unemployment conditions in the United States, and in Atlanta, GA, and Los Angeles, California prior to the American Recovery and Reinvestment Act of 2009 (The Act) commonly referred to as the “Stimulus.” According

---

to Michael Grunwald author of The New New Deal, “The stimulus had one overriding public relations problem: The administration marketed is as a measure to prevent rampant unemployment – and then rampant unemployment happened anyway.” The case could not be more pointed than in the black and Latino communities. Across the United States, despite the Act’s passage, the unemployment rate rose significantly.

Table 5.3 Local Area Total Unemployment (Race) Metropolitan Area

<table>
<thead>
<tr>
<th>City</th>
<th>Black</th>
<th>White</th>
<th>Black</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta, GA</td>
<td>10.3%</td>
<td>5.3%</td>
<td>14.9%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>11.2%</td>
<td>7.0%</td>
<td>15.0%</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

Table 5.4 Local Area Total Unemployment (Race) Metropolitan Area

<table>
<thead>
<tr>
<th>City</th>
<th>Latino</th>
<th>White</th>
<th>Latino</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta, GA</td>
<td>8.7</td>
<td>5.3%</td>
<td>10.3</td>
<td>7.6%</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>9.3</td>
<td>7.0%</td>
<td>14.5</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

---


Tables 5.3 and 5.4 present the rise in unemployment from 2008 to 2009 where overall in the United States unemployment rose 60%. In Atlanta, Georgia black unemployment rose 36%, and Latino unemployment rose 18%. In Los Angeles, California black unemployment rose 34%, and Latino Unemployment rose 56%.

In table 5.5 unemployment rates are presented for the years 2007 through 2010 overall as a national percentage and by race both prior to the Act, and following the Act’s implementation. Table 5.5 presents unemployment information that reveals the disparity on a national level between blacks, Latinos, and whites, as compared to the national unemployment rates for each of the years prepared.

Table 5.5 Unemployment Status by Race

<table>
<thead>
<tr>
<th>Year</th>
<th>% Black</th>
<th>% Latino</th>
<th>% White</th>
<th>% National</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>8.3</td>
<td>5.6</td>
<td>4.1</td>
<td>4.6</td>
</tr>
<tr>
<td>2008</td>
<td>10.1</td>
<td>7.6</td>
<td>5.2</td>
<td>5.8</td>
</tr>
<tr>
<td>2009</td>
<td>14.8</td>
<td>12.1</td>
<td>8.5</td>
<td>9.3</td>
</tr>
<tr>
<td>2010</td>
<td>16.0</td>
<td>12.5</td>
<td>8.7</td>
<td>9.6</td>
</tr>
</tbody>
</table>

This information suggests that prior to the Great Recession and the implementation of the Act that blacks and Latinos unemployment rates were dramatically different from whites and the national average. In 2007 and 2008 the black unemployment percentage across the United States was no less than 94% above whites – nearly double the white

---

rate. For Latinos during the same period the rate was no less than 37% above the unemployment rate for whites across the United States.

In the figure below, Figure 5.2 the unemployment rate for blacks and Latinos in the city of Atlanta can be seen in comparison to the levels of unemployment experienced during the early years of the Great Depression. It is important to note here that black unemployment in the city of Atlanta was greater in each of the four years charted than the Great Depression level unemployment for the nation. Latino unemployment in the city of Atlanta was greater than Great Depression level unemployment only in the first two years of the Great Recession by comparison, and white unemployment remained at a lower rate in all years except the first year of the Great Depression.

![Depression Era vs Great Recession Atlanta Unemployment Rates](chart)

Figure 5.2 City of Atlanta - Great Depression and Great Recession level unemployment rates, adopted from Carter, Susan B. et al. 2006. "Table a470-477 Labor Force, employment, and unemployment: 1980-1990."

Black unemployment in the city of has increased significantly since the Act was signed into law. Blacks in the city of Atlanta experienced an increase in the unemployment rate of 5% since 2009. Latinos rate of unemployment in the city Atlanta
decreased by 2%, and whites experienced an increase of 1.2% since 2009. In the city of Atlanta, the Act has had a mixed result. The levels of black unemployment in the city of Atlanta is greater than three times the unemployment rate of whites, and more than double the rate of Latinos.

Table 5.6 City of Atlanta Unemployment by race and ethnicity 2006 - 2011

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>9.7</td>
<td>9.8</td>
<td>10.0</td>
<td>15.7</td>
<td>24.1</td>
<td>20.7</td>
</tr>
<tr>
<td>White</td>
<td>3.7</td>
<td>1.3</td>
<td>2.9</td>
<td>5.1</td>
<td>3.1</td>
<td>6.3</td>
</tr>
<tr>
<td>Latino</td>
<td>5.0</td>
<td>6.3</td>
<td>8.7</td>
<td>10.3</td>
<td>10.3</td>
<td>8.0</td>
</tr>
</tbody>
</table>

In the figure below, Figure 5.3 the unemployment rate for blacks and Latinos in the city of Los Angeles can be viewed in comparison to the levels of unemployment experienced during the early years of the Great Depression as we looked at the city of Atlanta. It is equally important to note here that black unemployment in the city of Los Angeles was greater in three of the four years charted than the Great Depression levels charted during Great Depression. The level of white unemployment during the Great Recession only in the first year charted was greater during the Great Depression by comparison.
LatinounemploymentinthecityofLosAngeleswasgreaterthanGreatDepressionlevelunemploymentonlyinthefirsttwoyearsoftheGreatRecessionbycomparison.

BlacksunemploymentinthecityofLosAngeleshasalsoincreasedsignificantlysincetheActwassignedintolaw.BlacksinthecityofLosAngeleshavealsosexperiencedanincreaseintheunemploymentrateof4.4%since2009.However,Table5.7belowillustratestherateofincreaseintheunemploymentpercentagebyraceforthe
cityofLosAngeles.TheBureauofLaborStatisticsreportthatblacksinthecityofLosAngelesexperienceunemploymentratesthathaveincreasedfrom9.2%to25.2%since
thestartoftheeconomiccrisis.LatinosrateofunemploymentinthecityofLosAngelesincreasedby1.2%,andwhitesexperiencedanincreaseof0.5%since2009.Inthecityof
LosAngeles,theActhashadanegativeresult. Thelevels of black unemployment in the city of LosAngeles is nearly 12 base points greater than the unemployment rate of
whites, and nearly more than 10 base points higher than the rate of Latinos.
The central research question for the case studies of the cities of Atlanta and Los Angeles is shared with the question examined based on the national case of unemployment experienced by blacks and Latinos on a national basis compared to whites. The question is repeated here:

*Question:* To what extent has the American Recovery and Reinvestment Act of 2009 impacted the black, and Latino unemployment rates as a result of the Great Recession in the cities of Atlanta, Georgia and Los Angeles, California?

*Response:* The American Recovery and Reinvestment Act of 2009 did not positively impact black unemployment rates in the city of Atlanta or in the city of Los Angeles. The Act did not positively impact Latino unemployment rates in the city of Atlanta or the city of Los Angeles.

The analysis of the impact of the American Recovery and Reinvestment Act of 2009 on black and Latino unemployment is based in the theoretic underpinning discussed in Chapter 3 the - Methods and Theoretic Framework. There one presented the research hypothesis: The American Recovery and Reinvestment Act of 2009 is less likely to have a positive impact on black and Latino unemployment than the negative effect of racism (structural and spatial mismatch). The analysis (results) will look at both the national impact of the Act, and the case studies of Atlanta, Georgia, and Los Angeles, California.

---

Argument

This study has argued that black and Latino unemployment in the United States is a problem which has not been successfully addressed as part of the federal government’s job creation and policymaking process which resulted in the American Recovery and Reinvestment Act of 2009. This argument also sought to impeach the Act as flawed in as much as it did not address the long-standing unemployment disparity among blacks, Latinos, and whites. The components of the argument that one presents in this study are premise based; that is rooted in the background, the initial conditions prior to the experiment (unemployment condition of blacks and Latinos prior to the Act), and the experiment (case study findings after the implementation of the Act); and the conclusion (research hypothesis).

The argument meets two (2) conditions justifying belief in the conclusion (the research hypothesis).

1. The premises (assumptions, experimental / initial conditions must themselves be justified

2. There must be sufficient connection between the premises and the conclusion.

The premise that one approaches the discussion of the results of the study lay in the lens that one views the policy making process in large part throughout the American political and economic system. One asserts here that blacks and Latinos are “invisible” to the policy formula used to repair the American economy as a result of the Great Recession.
Conclusion

James Baldwin wrote in The Fire Next Time that "The American Negro is a unique creation; he has no counterpart anywhere and no predecessors." Arguably, Latinos are the "counterparts" of the American Negro - in the 21st century. Joblessness among blacks and Latinos during the Great Recession is felt unevenly in the United States and in the cities of Atlanta, Georgia and Los Angeles, California as compared to whites despite federal intervention in the economy. Blacks and Latinos feel the sting of unemployment at rates, and in many cases as high as the nation experienced during the Great Depression. The research discussed in this study illustrates that point.

The impact of the American Recovery and Reinvestment Act on blacks and Latinos underscores the need to elevate the discourse about the structural disparities that blacks and Latinos face in the American political economic system. This is important to note because federal intervention in the economy, should lift all citizens. Federal policy designed in response to the greatest economic crisis since the Great Depression should assist those most impacted the recession – as stated in the purpose of the Act.

Understanding unemployment in micro-communities and the impact of policies designed to improve the conditions of the unemployed is a critical research imperative. Blacks and Latinos in the United States experience joblessness at higher rates and longer interval than whites. A microeconomic, targeted Keynesian approach may have prevented the further collapsing of employment or the expanding joblessness of blacks and Latinos in American cities.
The statement of the problem addressed in this study began with the loss of jobs and the increasing unemployment rates experienced by blacks and Latinos in the United States as compared to whites. This is an interesting problem, not because blacks and Latinos are any more important than whites in American society, but because blacks and Latinos are part of the American system. One believes and the research here illustrates that black and Latinos employment structure – their unemployment condition, in the United States must be part of the discourse and formulation of policies designed to have a positive economic impact so that policy outcome are equally experienced by blacks, Latinos, and whites. The discussion on injustice, race and space are external factors that may have impacted the Act’s ability to have a positive impact on micro-level communities. Nonetheless, the policy failed to address those externalities as can be understood from the Larry Summers “secret” memorandum (see appendix 1). This memorandum discusses the policy inputs the Obama Administration’s economic advisors built into the Act. The policy formulation fails to address or discuss microeconomic outcomes, and only addresses macroeconomic inputs and related macroeconomic outcomes.

In the introduction to this study one quoted Mack Jones and his assessment of the significance of race in the United States, and in this conclusion one quotes James Baldwin and his assertion about what one suggests as the uniqueness of blacks and Latinos. Marguerite Ross Barnett writes that, “The dimensions of that uniqueness are just beginning to become clear. That uniqueness disqualifies much of white ethnic group experience as a predictive guide for blacks (and Latinos) and makes development of
progressive... public policy a challenge to academics, politicians, and policy-makers alike.\textsuperscript{17} In modern American history the unemployment condition of blacks and Latinos is unique. Unique in the reality that these groups react to economic employment policy in very different ways than do the larger white American citizen group does. Whites largely mirror the national response rates in employment and unemployment economic intervention. This represents a macroeconomic response as compared to the microeconomic response to which blacks and Latinos may respond positively.

The American Recovery and Reinvestment Act failed to address the structural employment and unemployment status of blacks and Latinos. The Act did not achieve its stated goal to assist those most impacted by the Great Recession. Research in this study indicates that blacks and Latinos in the United States have historically experienced higher unemployment rates than whites.

**Recommendations**

The recommendations that I will offer in this section of the conclusion reflect the impact of the significance of this research and take into account the limitations discussed in this chapter. The first set of recommendations suggests further research that might be conducted in furtherance of this study on the impact of public policy. The second set of recommendations suggests actions that should be taken in order to more comprehensively approach policy formulation, adoption, and implementation in order to better ensure that equal positive outcomes flow from the intended constituents.

Recommendation #1

In order to obtain more information and knowledge, and to fill in some gaps in our understanding that may have been exposed by this research one suggests that further action by other researchers explore the relationship among black and Latino unemployment and policy. One recommends that the question of why are blacks and Latinos consistently over time found among the unemployed as compared to whites? – be explored. This question may examine the historic and longstanding nature of the unemployment differences between blacks, Latinos, and white citizens.

Recommendation #2

One recommends that policymakers utilize a more diverse group of advisors to assist in the formulation of economic or job creation public policies which may include urban political scientists and urban economists in order to more clearly define and articulate a set of activities for inclusion into the implementation of micro-community level policies. This action may assist policymakers in obtaining the desired results from the targeting of black and Latino communities who may react differently than results in majority or white communities in the United States.

Limitations of the Study

This study is limited to an analysis of the impact of the American Recovery and Reinvestment Act of 2009 on black and Latino unemployment. The findings are limited by time. The argument and results of the study are justified, strong and cogent. However generalizations should be limited to this researcher’s analysis and argument on the cities
of Atlanta, Georgia and Los Angeles, California. Limited to a theoretical hypothesis which suggests that race is a significant factor in the impacts of public policy effects on blacks and Latinos. The study is limited to prescriptive recommendations to policymakers and offers expanded knowledge.
The American Reinvestment and Recovery Act
Jumpstarting our Economy and Investing in Our Future

The American economy is in the midst of a crisis unlike any we have seen in our lifetime. The economy lost 3.6 million jobs in the last 13 months, the biggest job loss since the end of World War II. Many experts believe unemployment could reach double digits if no action is taken. In light of this historic economic weakness, President Obama is signing the American Recovery and Reinvestment Act, a nationwide effort to create jobs and transform our economy to compete in the 21st century. The legislation represents the most ambitious effort to stimulate the economy in our nation’s history. It will:

• **Create or save 3.5 million jobs over the next two years.** Based on an analysis by the Council of Economic Advisers, the legislation will meet the goal of creating or saving at least 3.5 million jobs over the next two years. Jobs created will be in a range of industries from clean energy to health care, with over 90% in the private sector.

• **Provide nearly 40 percent of the package in direct relief to working and middle class families:** The package includes a Making Work Pay tax credit for 95% of workers and their families. In addition, the package provides direct relief for families by expanding unemployment insurance and offering payments to Social Security beneficiaries and veterans. The vast majority of the remainder of the package is provided in state fiscal relief and investments that also benefit working families.

• **Double renewable energy generating capacity over three years.** It took 30 years to reach current levels of renewable energy production. This package will double that level over the next three years – enough to power 6 million American homes.

• **Creates a Clean Energy Finance Authority and Renewable Tax Credits that together will leverage an additional $100 billion in private investment in the renewables sector.** The finance authority will provide loan guarantees and other financial support to help ease credit constraints for renewable energy investors and catalyze new private sector investment.

• **Make a $150 billion investment in our nation’s infrastructure – the largest investment since the interstate highway system in the 1950s:** It includes historic investments in public transit and high speed rail, an unprecedented effort to upgrade or nation’s electricity grid, and a new initiative to expand broadband coverage throughout the nation.

• **Protect health care coverage for millions of Americans during this recession.** The legislation provides a temporary increase the Federal Medical Assistance Percentage so that no state has to cut eligibility for Medicaid and SCHIP because of budget shortfalls. This investment will protect roughly 20 million people whose eligibility might otherwise be at risk. It will also generate considerable state economic activity, jobs and wages.
• *Enact the most significant expansion in tax cuts for low- and moderate-income households ever:* Under current law, a family of four earning the minimum wage currently lives below the poverty line. Under the plan, that family will be lifted out of poverty by a combination of an $800 Making Work Pay tax credit and $1,200 from an expanded child tax credit. All told, more than 2 million people would be lifted out of poverty by the plan.
APPENDIX B

THE JOB IMPACT OF THE AMERICAN RECOVERY AND REINVESTMENT ACT
THE JOB IMPACT OF THE AMERICAN RECOVERY AND REINVESTMENT PLAN

CHRISTINA ROMER | CHAIR - NOMINEE - DESIGNATE, COUNCIL OF ECONOMIC ADVISERS
JARED BERNSTEIN | OFFICE OF THE VICE PRESIDENT-ELECT

JANUARY 9, 2009
Table of Contents

A. Aggregate Jobs Effects.................................................................3

B. Jobs Effects of the Components of the Recovery Package ..................5

C. The Timing of Job Creation ..........................................................7

D. Breakdown by Industry ...............................................................7

E. Effects on Different Demographic Groups .......................................9

F. Kinds of Jobs .................................................................................10

G. Conclusions ..................................................................................11

APPENDIX 1 .....................................................................................12

ENDNOTES .......................................................................................13
A key goal enunciated by the President-Elect concerning the American Recovery and Reinvestment Plan is that it should save or create at least 3 million jobs by the end of 2010. For this reason, we have undertaken a preliminary analysis of the jobs effects of some of the prototypical recovery packages being discussed. Our analysis will surely evolve as we and other economists work further on this topic. The results will also change as the actual package parameters are determined in cooperation with the Congress. Nevertheless, this report suggests a methodology for ensuring that the package contains enough stimulus that we can have confidence that it will create sufficient jobs to meet the President-Elect’s goals.

This report also presents some discussion of the trade-offs involved in choosing different elements of the package. For example, how do tax cuts, fiscal relief to the states, and increases in infrastructure spending compare in terms of jobs created? Similarly, how do the different types of spending differ in terms of the timing of the jobs they will create? The report also discusses the types of jobs that will be created and the possible demographic composition of the workers who will find jobs as a result of the stimulus.

We reach several key preliminary findings:

- A package in the range that the President-Elect has discussed is expected to create between three and four million jobs by the end of 2010.

- Tax cuts, especially temporary ones, and fiscal relief to the states are likely to create fewer jobs than direct increases in government purchases. However, because there is a limit on how much government investment can be carried out efficiently in a short time frame, and because tax cuts and state relief can be implemented quickly, they are crucial elements of any package aimed at easing economic distress quickly.

- Certain industries, such as construction and manufacturing, are likely to experience particularly strong job growth under a recovery package that includes an emphasis on infrastructure, energy, and school repair. But, the more general stimulative measures, such as a middle class tax cut and fiscal relief to the states, as well as the feedback effects of greater employment in key industries, mean that jobs are likely to be created in all sectors of the economy.

- More than 90 percent of the jobs created are likely to be in the private sector. Many of the government jobs are likely to be professionals whose jobs are saved from state and local budget cuts by state fiscal relief.

- A package is likely to create jobs paying a range of wages. It is also likely to move many workers from part-time to full-time work.

It should be understood that all of the estimates presented in this memo are subject to significant margins of error. There is the obvious uncertainty that comes from modeling a hypothetical package rather than the final legislation passed by the Congress. But, there is the more fundamental uncertainty that comes with any estimate of the effects of a program. Our estimates of economic relationships and rules of thumb are derived from historical experience and so will not apply exactly in any given episode. Furthermore, the uncertainty is surely higher than normal now because the current recession is unusual both in its fundamental causes and its severity.
A. Aggregate Jobs Effects

Estimating the aggregate employment effects of the proposed American Recovery and Reinvestment Plan involves several steps. The first is to specify a prototypical package. We have assumed a package just slightly over the $775 billion currently under discussion. It includes a range of measures, all of which have been discussed publicly. Among the key components are:

- Substantial investments in infrastructure, education, health, and energy.
- Temporary programs to protect the most vulnerable from the deep recession, including increases in food stamps and expansions of unemployment insurance.
- State fiscal relief designed to alleviate cuts in healthcare, education, and prevent increases in state and local taxes.
- Business investment incentives.
- A middle class tax cut along the lines of the Making Work Pay tax cut that the President-Elect proposed during the campaign.

A second step is to simulate the effects of the prototypical package on GDP. We use multipliers that we feel represent a consensus of a broad range of economists and professional forecasters. Our particular multipliers for an increase in government purchases of 1% of GDP and a decrease in taxes of 1% of GDP are given in Appendix 1. They are broadly similar to those implied by the Federal Reserve’s FRB/US model and the models of leading private forecasters, such as Macroeconomic Advisers.

The final step is to take the effect on GDP and translate it into job creation. Not all of the increased output reflects increased employment; some comes from increases in hours of work among employed workers and some comes from higher productivity. We therefore use the relatively conservative rule of thumb that a 1 percent increase in GDP corresponds to an increase in employment of approximately 1 million jobs, or about three-quarters of a percent. This has been the rough correspondence over history and matches the FRB/US model reasonably well. The effect on jobs using the estimates from most private sector forecasting models would be somewhat larger. We look at the effects in 2010Q4, which is the end of the two-year period that is the focus of the recovery plan.

Table 1 shows that we expect the proposed recovery plan to have significant effects on the aggregate number of jobs created, relative to the no-stimulus baseline.
Table 1
Aggregate Effect of the Recovery Package on GDP and Jobs in 2010Q4

<table>
<thead>
<tr>
<th>Without Stimulus</th>
<th>With Stimulus</th>
<th>Effect of Package</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real GDP</strong> (billions of chained 2000 $)</td>
<td><strong>Payroll Employment</strong></td>
<td></td>
</tr>
<tr>
<td>$11,770</td>
<td>133,876,000</td>
<td>Increase GDP by 3.7%</td>
</tr>
<tr>
<td>$12,203</td>
<td>137,550,000</td>
<td>Increase jobs by 3,675,000</td>
</tr>
</tbody>
</table>

Source: Authors' calculations based on methodology described above and multipliers described in Appendix 1.

The table shows that we expect the plan to more than meet the goal of creating or saving 3 million jobs by 2010Q4. There are two important points to note, however:

First, the likely scale of employment loss is extremely large. The U.S. economy has already lost nearly 2.6 million jobs since the business cycle peak in December 2007. In the absence of stimulus, the economy could lose another 3 to 4 million more. Thus, we are working to counter a potential total job loss of at least 5 million. As Figure 1 shows, even with the large prototypical package, the unemployment rate in 2010Q4 is predicted to be approximately 7.0%, which is well below the approximately 8.8% that would result in the absence of a plan.1

Figure 1
Unemployment Rate With and Without the Recovery Plan
Second, as emphasized above, there 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. In light of the substantial quarter-to-quarter variation in the estimates of job creation, we believe a reasonable range for 2010Q4 is 3.3 to 4.1 million jobs created.

B. Jobs Effects of the Components of the Recovery Package

To estimate the jobs effect of each potential component of the package, we use an analysis similar to what we use to estimate the overall jobs effect. We take an estimate of the amount of spending related to a component and apply the relevant multiplier to estimate the likely overall effect on GDP. The total effect on jobs is then estimated using the 1% of GDP equals 1 million jobs rule of thumb.

We further consider the direct and indirect effects of the program. The direct effects are those coming from the hiring directly caused by the program. Here we include not just workers hired by the federal government under the program, which we expect to be a relatively small number, but workers hired under projects financed by the program and workers hired to produce the goods demanded as the result of tax credits and subsidies targeted to specific activities (such as smart electrical meters and software systems for health IT). The indirect effects are those coming from the fact that the newly employed workers spend more and this stimulates other industries. For core spending programs, we assume the direct output effects move one-for-one with the spending increase. Broad tax cuts have jobs effects, but they stem only from indirect effects: tax cuts only have effects when people go out and spend the money. One dollar of state fiscal relief is assumed to result in $0.60 in higher government purchases (largely averting spending reductions that were assumed in the baseline) and $0.30 in lower government taxes (largely due to preventing state and local tax increases that were assumed in the baseline). The results are shown in Table 2.
Table 2
Effects of the Components of the Recovery Package on Jobs in 2010Q4

<table>
<thead>
<tr>
<th>Component</th>
<th>Total Effect</th>
<th>Direct Effect</th>
<th>Indirect Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>459,000</td>
<td>305,000</td>
<td>153,000</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>377,000</td>
<td>236,000</td>
<td>142,000</td>
</tr>
<tr>
<td>Health Care</td>
<td>244,000</td>
<td>166,000</td>
<td>78,000</td>
</tr>
<tr>
<td>Education</td>
<td>250,000</td>
<td>166,000</td>
<td>83,000</td>
</tr>
<tr>
<td>Protecting Vulnerable</td>
<td>549,000</td>
<td>140,000</td>
<td>409,000</td>
</tr>
<tr>
<td>State Relief</td>
<td>821,000</td>
<td>442,000</td>
<td>379,000</td>
</tr>
<tr>
<td>Making Work Pay</td>
<td>505,000</td>
<td>0</td>
<td>505,000</td>
</tr>
<tr>
<td>Tax Cut</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Tax</td>
<td>470,000</td>
<td>0</td>
<td>470,000</td>
</tr>
<tr>
<td>Incentives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Components</td>
<td>3,675,000</td>
<td>1,456,000</td>
<td>2,219,000</td>
</tr>
</tbody>
</table>

*Source:* Authors' calculations. See text for details.

These estimates show that all components of the program make important contributions to job creation. The direct spending programs have the largest job bang for the buck. State fiscal relief also has important direct and indirect effects on jobs, and so very strong job bang for the buck. Tax cuts, though they have no direct jobs effect and generally affect consumer and firm spending only gradually, also have important job creation benefits by the end of the two-year window.2

It is important to note that the jobs effects of temporary broad-based tax cuts would probably be considerably smaller. Large proportions of temporary tax cuts are saved, blunting their stimulatory impact on output and employment. The prototypical recovery package only provides for the first two years of the Making Work Pay tax cut. Our analysis assumes that households treat the tax cut as permanent in determining their short-run spending.
C. The Timing of Job Creation

The different components of the stimulus package also differ in terms of the timing of the jobs they will create, and therefore serve different purposes in terms of cushioning the downturn and fostering recovery. Because it takes time to carry out new spending programs authorized by legislation, we expect the jobs created by spending on infrastructure, education, health, and energy to be concentrated in 2010 and 2011. At the other extreme are funds to protect the most vulnerable, which are generally spent promptly, and tax incentives for businesses to invest quickly. State fiscal relief and broad-based tax cuts fall in between: funds for these programs can be disbursed quickly, but there can be a delay before the main response of spending.

Table 3 summarizes the information about the timing of the effects of the different components. For example, the second entry in the middle column indicates that we estimate that the spending on protecting the vulnerable will create 83% as many jobs in 2009Q4 as it will in 2010Q4. That is, this spending will have nearly equal effects in the two periods.

<table>
<thead>
<tr>
<th>Component</th>
<th>2009Q4</th>
<th>2011Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy, Infrastructure, Health, Education</td>
<td>46%</td>
<td>41%</td>
</tr>
<tr>
<td>Protecting the Vulnerable</td>
<td>83</td>
<td>17</td>
</tr>
<tr>
<td>State Relief</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>Business Tax Incentives</td>
<td>83</td>
<td>28</td>
</tr>
<tr>
<td>Making Work Pay Tax Cut</td>
<td>67</td>
<td>37</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations. See text for details.

D. Breakdown by Industry

To get more detailed information on the breakdown of the jobs created, we use a simulation from a prominent private forecaster on a plan that is similar – though not identical – to the type of plan the President-Elect is considering. The simulation yields a breakdown by industry of jobs created in 2010Q4. We combine the shares of jobs created in each industry from this simulation with our estimates of total job creation from a likely-sized program. For example, if the simulation implied that 18.4% of the jobs created would be in construction, our estimate of the number of jobs created in construction in 2010Q4 is 18.4% of our estimate of overall job creation of 3.675 million, or 678,000. The results of this exercise are shown in Table 4.
Table 4
Job Creation of Recovery Package by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Jobs Created in 2010Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>26,000</td>
</tr>
<tr>
<td>Construction</td>
<td>678,000</td>
</tr>
<tr>
<td>Manufacturing – Total</td>
<td>408,000</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>158,000</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>604,000</td>
</tr>
<tr>
<td>Information</td>
<td>50,000</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>214,000</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>345,000</td>
</tr>
<tr>
<td>Education and Health Services</td>
<td>240,000</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>499,000</td>
</tr>
<tr>
<td>Other Services</td>
<td>99,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>11,000</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>98,000</td>
</tr>
<tr>
<td>Government – Total</td>
<td>244,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,675,000</strong></td>
</tr>
</tbody>
</table>


While estimating the effects at the industry level is even more difficult than estimating aggregate effects, there are well-established cyclical differences across industries that underlie the qualitative results of this analysis. For example, the largest percentage declines in employment over the past year have been in construction and manufacturing.

The estimates suggest that 30% of the jobs created will be in construction and manufacturing, even though these industries employ only 15% of all workers. Both sectors have been particularly hard-hit recently. The other two significant sectors that are disproportionately represented in job creation are retail trade and leisure and hospitality (mining is also represented disproportionately, but employs less than 1% of all workers). Construction, manufacturing, retail trade, and leisure and hospitality all employ large numbers of low- and middle-income workers whose incomes have stagnated in recent decades and who have suffered greatly in the current recession.
E. Effects on Different Demographic Groups

The sensitivity of employment and unemployment to the overall health of the economy varies across demographic groups of the population. For example, African-American, Hispanic, young, less-educated, and male workers all tend to suffer disproportionately during recessions. The experience in the current downturn is typical: unemployment rates among these groups have risen substantially more than the overall unemployment rate. Historically, when unemployment falls overall, these groups tend to experience particularly large employment gains.

On the other hand, some groups, such as older, college-educated, and female workers, tend to experience smaller rises in unemployment for a given rise in the overall rate. For example, in the current recession, during which the overall unemployment rate has risen 2.3 percentage points, the unemployment rate for women has increased 1.6 percentage points. Historically, when unemployment falls overall, these groups tend to experience smaller employment gains.

It is possible to look more closely at the possible gender composition of jobs created by the recovery package by considering the industrial breakdown of job creation from Table 4. Data are readily available on the fraction of women in each industry. If we assume that jobs created in an industry will be allocated between men and women following the industry average, we can estimate the jobs likely to go to women by industry. The proportion female and this estimate of the likely jobs created for women in each industry are given in Table 5. Summing across industries suggests that the total number of created jobs likely to go to women is roughly 42% of the jobs created by the package. Given that so far in the recession women have accounted for roughly 20% of the decline in payroll employment, this calculation could reflect that the stimulus package skews job creation somewhat toward women, possibly as a result of the investments in healthcare, education, and state fiscal relief. However, it is important to keep in mind that it is possible that the gender composition of the jobs created by industry will not follow the industry average, and so smaller fractions are possible.
Table 5

Fraction of Employment that is Female

<table>
<thead>
<tr>
<th>Industry</th>
<th>Fraction Female</th>
<th>Number of Created Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>13%</td>
<td>3,000</td>
</tr>
<tr>
<td>Construction</td>
<td>13</td>
<td>88,000</td>
</tr>
<tr>
<td>Manufacturing – Total</td>
<td>29</td>
<td>117,000</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>31</td>
<td>49,000</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>50</td>
<td>304,000</td>
</tr>
<tr>
<td>Information</td>
<td>42</td>
<td>21,000</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>59</td>
<td>127,000</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>45</td>
<td>154,000</td>
</tr>
<tr>
<td>Education and Health Services</td>
<td>77</td>
<td>186,000</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>53</td>
<td>262,000</td>
</tr>
<tr>
<td>Other Services</td>
<td>52</td>
<td>52,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>26</td>
<td>3,000</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>24</td>
<td>23,000</td>
</tr>
<tr>
<td>Government – Total</td>
<td>57</td>
<td>140,000</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>1,529,000</td>
</tr>
</tbody>
</table>

Sources: BLS Establishment Survey and authors’ calculations from Table 4.

One useful consequence of this consideration of demographic and industrial composition is to again point out the importance of balance in the recovery package. Much of the discussion of the recovery plan has focused on infrastructure, rebuilding schools, and energy investments. This type of spending disproportionately creates jobs in sectors like construction. But, the prototypical package also includes substantial quantities of investment in education and health care, as well as of state fiscal relief. This component tends to encourage employment in sectors such as education and health. The recovery package is also likely to include a middle-class tax cut. This component should further spread the jobs benefits of the package. For example, the indirect effects are likely to be large in retail trade. Because different groups have different representation in various industries, maintaining a range of components is important for ensuring that the benefits of job creation are spread broadly among all Americans.

F. Kinds of Jobs

The recovery plan is likely to create jobs paying a range of wages. Significant shares of jobs are created in sectors that pay above average, such as construction and business services, as well as sectors that pay below average, such as retail trade and leisure/hospitality (hotels, restaurants).

Union representation is higher than average in some of the sectors in which the recovery package creates significant numbers of jobs. Union coverage in construction and manufacturing, which
account for almost one-third of the jobs created by the package, are 14% and 11%, respectively, compared to 7.5% coverage for the private sector overall.

Along the same lines, recent research by Robert Pollin and Jeannette Wicks-Lim (available at http://www.peri.umass.edu/green_jobs) suggests that investments in green energy will create jobs that generally pay well above the typical wage. For example, compared to the national median wage of $15 in 2007, some of the jobs created by these investments include: electricians (median wage, $21.50/hour), carpenters ($18/hour), operations managers ($43/hour), and production supervisors ($23/hour). The occupation-weighted average wage in green energy jobs is about 20% above the national average.5

Finally, in addition to creating high-quality jobs, the program is likely to improve existing jobs. One important way that it will do this is by moving workers from part-time to full-time work. Over the past year, as the overall unemployment rate has risen by 2.3 percentage points, the number of workers working part-time for economic reasons has risen by 3.4 million. This is a main reason why the underemployment rate rose to 13.5% in December compared to 8.7% a year earlier.6 We estimate that our program will cause the unemployment rate to be about 1.8 points lower in 2010Q4 than it otherwise would have been. If the same relationship between movements in overall unemployment and movements in workers working part-time for economic reasons holds for the effects of the recovery package, the program will allow about 1.8/2.3 times 3.4 million, or 2.7 million, workers to move from part time to full time. It will reduce the underemployment rate by more than three percentage points compared to its level in the absence of the recovery package.

G. Conclusions

This study has sought to investigate the likely job creation effects of the American Recovery and Reinvestment Plan currently under consideration. As emphasized at many points in the analysis, there is substantial uncertainty around all of our estimates. Nevertheless, we believe they can provide useful guidance as we go forward. Among the key lessons from the analysis are:

• The recovery plan needs to be large to counter the tremendous job loss that is likely to occur.
• The plan needs to include a range of components, such as direct government spending, state fiscal relief, and tax cuts to ensure that jobs are created quickly and throughout the economy.
• The range of components is also important for ensuring that both male and female workers benefit from the program.
• An aggressive recovery program is important for protecting all Americans from job loss, but particularly for aiding those groups disproportionately hurt by the rise in the overall unemployment rate.
• A well designed recovery plan will not only create numerous jobs, but also many jobs paying good wages and providing full-time employment.
APPENDIX 1
Multipliers for Different Types of Spending

For the output effects of the recovery package, we started by averaging the multipliers for increases in government spending and tax cuts from a leading private forecasting firm and the Federal Reserve’s FRB/US model. The two sets of multipliers are similar and are broadly in line with other estimates. We considered multipliers for the case where the federal funds rate remains constant, rather than the usual case where the Federal Reserve raises the funds rate in response to fiscal expansion, on the grounds that the funds rate is likely to be at or near its lower bound of zero for the foreseeable future.

We applied these multipliers directly to the straightforward elements of the package, but made some adjustments for elements that take the form of transfers to the states and tax-based investment incentives. For transfers to the states, we assumed that 60% is used to prevent spending reductions, 30% is used to avoid tax increases, and the remainder is used to reduce the amount that states dip into rainy day funds. We assumed that these effects occur with a one quarter lag. For tax-based investment incentives, we used the rule of thumb that the output effects correspond to one-fourth of the effects of an increase in government spending with the same immediate revenue effects. This implies a fairly small effect from a given short-term revenue cost of the incentives. But, because much of the lost revenue is recovered in the long run, it implies a fairly substantial short-run impact for a given long-run revenue loss. We confess to considerable uncertainty about our choice of multipliers for this element of the package.

Output effects of a permanent stimulus of 1% of GDP (percent)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Government Purchases</th>
<th>Tax Cuts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.05</td>
<td>0.00</td>
</tr>
<tr>
<td>2</td>
<td>1.24</td>
<td>0.49</td>
</tr>
<tr>
<td>3</td>
<td>1.35</td>
<td>0.58</td>
</tr>
<tr>
<td>4</td>
<td>1.44</td>
<td>0.66</td>
</tr>
<tr>
<td>5</td>
<td>1.51</td>
<td>0.75</td>
</tr>
<tr>
<td>6</td>
<td>1.53</td>
<td>0.84</td>
</tr>
<tr>
<td>7</td>
<td>1.54</td>
<td>0.93</td>
</tr>
<tr>
<td>8</td>
<td>1.57</td>
<td>0.99</td>
</tr>
<tr>
<td>9</td>
<td>1.57</td>
<td>0.99</td>
</tr>
<tr>
<td>10</td>
<td>1.57</td>
<td>0.99</td>
</tr>
<tr>
<td>11</td>
<td>1.57</td>
<td>0.99</td>
</tr>
<tr>
<td>12</td>
<td>1.57</td>
<td>0.99</td>
</tr>
<tr>
<td>13</td>
<td>1.57</td>
<td>0.99</td>
</tr>
<tr>
<td>14</td>
<td>1.57</td>
<td>0.99</td>
</tr>
<tr>
<td>15</td>
<td>1.57</td>
<td>0.99</td>
</tr>
<tr>
<td>16</td>
<td>1.55</td>
<td>0.98</td>
</tr>
</tbody>
</table>
ENDNOTES

1 Forecasts of the unemployment rate without the recovery plan vary substantially. Some private forecasters anticipate unemployment rates as high as 11% in the absence of action.

2 These estimates, like the aggregate ones, are subject to substantial margins of error. One additional source of uncertainty concerns the impact of the state fiscal relief. We believe that the rule of thumb that 60% of funds devoted to state relief will be used to prevent spending cuts and that 30% will be used to prevent tax increases, and that these effects will occur with a lag of about three months, are good first approximations. But, the effects will clearly differ across states, and the average could differ from what we have assumed. Another source of uncertainty concerns the jobs effects of a given increase in GDP. Again, we think that our assumption that the relation between higher GDP and increased employment is the same across the different components of the package is a good starting point. But, the exact effects are likely to vary somewhat across components. For example, simulations using private-sector forecasting models suggest that the number of jobs created by a given increase in GDP is likely to be slightly higher for broad-based tax cuts than for infrastructure spending, presumably because the jobs created by infrastructure spending pay higher wages on average. This effect is small, however, and does not reverse the conclusion that a dollar of infrastructure spending is more effective in creating jobs than a dollar of tax cuts.

3 This percentage is calculated as the difference in female payroll employment from November 2007 to November 2008 (December 2008 data were not yet available) divided by the change in total payroll employment over the same time period.

4 It is precisely because of the uncertainty surrounding this type of calculation that we do not do similar calculations for groups that are a smaller fraction of the labor force. For teenagers, for example, it is likely that the within-industry variation in cyclicality for demographic groups swamps the across-industry variation.

5 These data are from the BLS Occupational Employment Survey.

6 The underemployment rate is the most comprehensive measure of labor underutilization (measure U-6 in Table A-12 of the monthly jobs report) published monthly by the BLS.
APPENDIX C

EXECUTIVE SUMMARY OF ECONOMIC POLICY WORK

SENSITIVE AND CONFIDENTIAL MEMO
EXECUTIVE SUMMARY OF ECONOMIC POLICY WORK

Economic Recovery Plan

- In the absence of fiscal stimulus the economy is projected to lose 3 to 4 million jobs in 2009. Together with the jobs we have already lost and population growth, we will be 7 million jobs short of full employment. The unemployment rate is projected to rise above 9 percent and not projected to start falling until 2011.

- We believe that $600 billion in stimulus over two years would create 2.5 million jobs relative to what would happen in the absence of stimulus. However, this falls well short of filling the job shortfall and would leave the unemployment rate at 8 percent two years from now. This has convinced the economic team that a considerably larger package is justified.

- The core of the package being recommended – investments and targeted tax cuts for energy, infrastructure, health, education, protecting the most vulnerable, and other priorities – totals only about $225 billion over two years and nearly $300 billion when it fully spends out. We do not believe it is feasible to design sensible proposals along these lines that go much beyond this total size.

- As a result, it may be necessary to consider two other elements for your plan: state fiscal relief and tax cuts for individuals and businesses. Although these are not as important to your priorities and are not as effective as stimulus, it is impossible to achieve your macroeconomic objectives without them.

- The memo outlines four alternative plan ranging from $550 billion to $890 billion with the difference between them being the state fiscal relief and tax proposals.
Four Illustrative Plans (Cost in $ billions)

<table>
<thead>
<tr>
<th></th>
<th>#1</th>
<th>#2</th>
<th>#3</th>
<th>#4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core Package of Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Healthcare</td>
<td>36</td>
<td>36</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Education</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Protecting the Vulnerable</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td>68</td>
</tr>
<tr>
<td>Other Priorities</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
</tr>
</tbody>
</table>

**Sources of Additional Stimulus**

<table>
<thead>
<tr>
<th></th>
<th>#1</th>
<th>#2</th>
<th>#3</th>
<th>#4</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Fiscal Relief (incl FMAP)</td>
<td>130</td>
<td>175</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Making Work Pay</td>
<td>70</td>
<td>140</td>
<td>180</td>
<td>140</td>
</tr>
<tr>
<td>Business Investment Incentives</td>
<td>50*</td>
<td>50*</td>
<td>50*</td>
<td>50*</td>
</tr>
<tr>
<td>New Jobs Tax Credit</td>
<td>-</td>
<td>-</td>
<td>80</td>
<td>-</td>
</tr>
<tr>
<td>Employer Payroll or Sales Tax Cut</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>200</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>250</td>
<td>365</td>
<td>510</td>
<td>590</td>
</tr>
</tbody>
</table>

**TOTAL**

|     |     |     |     |     |
|-----|-----|-----|-----|
|     | 550 | 665 | 810 | 890 |

**Memo**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs Created by 2011-Q1 (millions)</td>
<td>2.0 - 2.5</td>
</tr>
<tr>
<td>Unemployment Rate in 2011-Q1</td>
<td>7.8 - 8.0</td>
</tr>
</tbody>
</table>

*Table shows ten year cost. The two year cost is over $180 billion.

**Reforms and Budget Savings**

- You will likely have to submit or sign several large pieces shortly after taking office (the Economic Recovery Plan, the CR, the Iraq/Afghanistan supplemental and something TARP related).

- Given that, it is imperative to establish serious reform and fiscal discipline credentials well before you submit your budget blueprint in late February.

- The memo recommends committing to a responsible budget and suggests a variety of options to that end. One set of options focuses on waste and abuse (e.g., eliminate ten programs or convene a “War on Waste” Summit) and other options focus on process (e.g., indicate your interest in budget process reforms).

- The memo also recommends another option which is releasing a detailed package of proposed health savings in January or early February.
The Medium-Term Budget Outlook and Options

- The unified deficit, including the economic recovery, is projected to average 5 percent of GDP over the next decade, higher than any decade except during major wars. The debt (net of financial assets) is projected to rise continually, passing 70 percent of GDP, which is well above any period since the 1950s.

- Your campaign proposals add about $100 billion per year to the deficit largely because rescoring indicates that some of your revenue raisers do not raise as much as the campaign assumed and some of your proposals cost more than the campaign assumed.

- There are a variety of goals you could set for the medium-term fiscal picture. A minimally plausible goal of bringing the deficit down to the 3 to 3-1/2 percent range, which is consistent with stabilizing the debt at about 60 percent of GDP, would require us to identify $300 billion in annual spending reductions or revenue increases relative to your campaign proposals.

<table>
<thead>
<tr>
<th>Goal in 2014</th>
<th>Necessary Spending Cut or Tax Increase in 2014</th>
<th>Deficit in 2014</th>
<th>Debt as a % of GDP in 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay for All Campaign Proposals</td>
<td>100</td>
<td>775</td>
<td>62%</td>
</tr>
<tr>
<td>3.5% of GDP Deficit</td>
<td>225</td>
<td>640</td>
<td>61%</td>
</tr>
<tr>
<td>2.5% of GDP Deficit</td>
<td>396</td>
<td>460</td>
<td>58%</td>
</tr>
<tr>
<td>Balance the Unified Budget</td>
<td>826</td>
<td>0</td>
<td>53%</td>
</tr>
</tbody>
</table>

- The memo presents several illustrative options to have a sense of what it would take to come up with these savings.

- We recommend you set an overall fiscal goal and then the economic team will work together with the other policy teams to develop more specific options and packages to achieve this goal.

Financial Issues

- **Housing.** We expect to propose a housing package involving legislative elements and the use of the TARP or its successor. Essential elements are likely to include:
  
  o A general program with eligibility based on debt service to income ratios, hardship, and loan-to-value ratios. Eligible households would get mortgage modifications with partial government financing and possibly guarantees for servicers providing an incentive.

  o Make it easier for servicers to modify mortgages without fear of legal liability.
o We are considering proposals to use the GSEs more aggressively in support of the mortgage market.

o Strengthen Hope for Homeowners, which passed over the summer but has only received 111 applications to date.

o Reform the bankruptcy code to give lenders more of an incentive to modify mortgages.

o Focus on housing and community/neighborhood issues.

• Autos. The Administration is currently considering how to provide immediate assistance to the auto industry. They face a number of near-term constraints, including (i) remaining TARP resources are likely insufficient to meet the autos' need for funds in the coming months; (ii) the economic impact of a bankruptcy filing under different contingencies is highly uncertain, and will introduce substantial complications; and (iii) the broader industry environment is fragile, with growing weakness in the supplier base and the captive finance companies. Given these constraints, we believe there are three approaches that the Administration can realistically take:

  o Provide remaining TARP funds as the first tranche of DIP funding into an organized filing sometime around the New Year;

  o Provide remaining TARP funds explicitly as a bridge loan to a pre-arranged bankruptcy filing;

  o Provide funding sufficient to get GM and Chrysler through the end of January without pre-determining whether our Administration will pursue an out of court restructuring or a bankruptcy filing.

• We will be discussing with you how, if at all, we wish to engage with the current Administration on their plans; how specific and stringent we would want the Administration to be about either forcing a filing or applying specific conditions to receipt of funds pre-inauguration; and how much independent oversight we would like to see in guiding difficult decisions going forward.

• Financial Stabilization and Recovery. The scale of potential future losses for the banking sector alone is substantial, and appears to be escalating dramatically as the economy worsens and more sectors are affected.

• Our judgment is that effectively stabilizing the financial system will ultimately require more resources than those currently authorized under the TARP.

• Our approach should be guided by clear policy goals: to decisively stabilize core financial institutions and dramatically increase support to restart the flow of credit to households and businesses and restore the healthy functioning of capital markets.
• This will likely require substantial additional capital injections and dramatic expansion of programs designed to support the functioning of asset backed securitization markets, as well as other steps.

• We will need to make decisions about whether to support an early January request by the Bush administration for the second tranche of TARP funds or to replace TARP with a program of our design.

• We are undertaking a full analysis of policy approaches to achieve these objectives. Our plan is to have a specific set of options and recommendations for you in early January, with an eye towards a comprehensive speech and coordinated announcement with the Fed and FDIC shortly after your Inauguration.

• **Financial Regulation.** Reform of the financial regulatory system, building on the principles you outlined in your Cooper Union speech and over the course of the campaign, will be a significant part of your economic agenda. Timing and sequencing will be critical particularly given two issues: (1) we will be in crisis-fighting mode and (2) some of the necessary regulatory reforms could be good in the long run but the greater conservatism in leverage and risk management could intensify problems in the short run. One question is whether we want to package all of our reforms together somewhat later in the year or do a first stage as part of a post-TARP financial recovery plan with more comprehensive legislation to follow. Administrative actions will be an important part of our response, specifically encouraging the regulators to use the authority they already have. However additional statutory changes are also necessary, as discussed in the longer memo.
December 15, 2008

TO: President-Elect Obama

FROM: Larry Summers

SUBJECT: Update on Economic Policy Work

The following memo is background for our meeting on Tuesday. It includes a discussion of our work in several areas: the Economic Recovery Plan, reforms & budget savings, the medium-term budget outlook & options, and financial issues including housing, autos, financial stabilization, and financial regulation. Portions of the memo were contributed by your CEA, OMB and Treasury designees. The memo is also informed by extensive discussions with your DPC designees, the energy team, the health team, and others inside and outside the transition.

Note that the different parts of this memo address different issues separately, like Economic Recovery Plan, the TARP, and housing. But in reality, in terms of scale and comprehensiveness it will provide greater macroeconomic stimulus and stability if these different efforts are conceived and presented as a massive, coordinated approach to the economic crisis. The rule that it is better to err on the side of doing too much rather than too little should apply forcefully to the overall set of economic proposals.

There is also a significant global coordination issue that is not addressed in this memo.

I. THE ECONOMIC RECOVERY PLAN

We have been working to develop an Economic Recovery Plan that helps jolt the economy out of its short-term weakness, provides relief to those hurt by the recession, and begins to make investments that will benefit America for years and decades to come. In addition to our internal policy development process we have consulted extensively at the staff and member level on the Hill, with different groups through the Office of Public Liaison (e.g., the leadership of all the major Hispanic organizations, the AARP, progressive groups, and other meeting planned for the future) and the Intergovernmental Affairs (several governors, mayors, the National Governors Association and others), and with outside economists and policymakers.

As the economic outlook has deteriorated, consensus judgments of appropriate size of two-year packages have risen sharply. We have become convinced that there is a compelling case for a recovery package considerably larger than the $500 to $600 billion that we were originally contemplating in order to have a reasonable prospect of keeping unemployment in the 7 percent range and hopefully declining two years from now. This is, of course, an economic judgment that would need to be combined with political judgments about what is feasible.
Constructing a package of this size, or even in the $500 billion range, is a major challenge. While the most effective stimulus is government investment, it is difficult to identify feasible spending projects on the scale that is needed to stabilize the macroeconomy. Moreover, there is a tension between the need to spend the money quickly and the desire to spend the money wisely. To get the package to the requisite size, and also to address other problems, we recommend combining it with substantial state fiscal relief and tax cuts for individuals and businesses.

A. Economic Outlook

The economic outlook is grim and deteriorating rapidly. Forecasts now expect output to contract at least a 5 percent annual rate in 2008-Q4 (the government will release this data on January 30th), which would be the worst contraction since the early 1980s. The economy has already lost 1.9 million jobs since its peak in December 2007. Most forecasts suggest that, without stimulus, we will lose another 3 to 4 million jobs over the next year (see Figure 1, derived as a synthesis of what private and public forecasters are saying as of December 12th, 2008). Thus, at its likely trough, the economy will have lost a total of at least 5 million jobs. By comparison, in a normal period the economy would have gained 2 million jobs over this period—so we will be 7 million jobs short of full potential.

Figure 1

Forecast of Payroll Employment Without Stimulus

Most analysts are predicting that in the absence of stimulus, unemployment will rise over 9 percent. Moreover, during the last two recessions the unemployment rate continued to rise for about 18 months following the end of the recession. Based on that experience, unemployment is expected to return only very gradually to its normal pre-recession level, remaining close to 8 percent through the end of 2011, as shown in Figure 2.
Forecasts have become decidedly more pessimistic in recent days. Macroeconomic Advisers reported the largest negative forecast revision in its history on December 8th, and on the 11th they revised down their forecast of growth in the current quarter by another percentage point. The driving factors for the negative revisions were the extremely negative employment report from December 5th and the trade deficit and unemployment claims report from December 11th.

The fundamental factors driving the deterioration of both the current economy and forecasts of future performance are continued financial market disruptions, housing and asset price declines, extremely pessimistic expectations, and accelerating decline in the rest of the world.

In thinking about the risks to the forecast, further negative revisions seem more likely than positive revisions. A significant worry is that the accelerated real decline in output could cause further deterioration in asset prices and further financial market distress. While less likely, positive revisions are also possible. Consumer confidence rose slightly in the last report and retail sales reported on December 12th, though dismal, were less bad than expected. So, it is possible that improvement in expectations could lead to increased consumer and business investment spending and hence a less severe downturn.

**B. Effects of Fiscal Stimulus**

Changes in government purchases and taxes have important effects on output and hence on employment and unemployment. The effects of fiscal stimulus, however, vary with the type of fiscal action:
• Research suggests that an increase in government purchases of 1 percent of GDP increases real GDP relative to what it otherwise would have been by approximately 1.5 percent after two years.

• A permanent tax cut of 1 percent of GDP increases GDP by 0.4 percent after one year and 0.8 percent after two years. The smaller effect is due in large part to the fact that a significant fraction of a tax cut is typically saved, while spending, by definition, is spent. The size of the effect of a permanent tax cut tends to be larger if it is received by lower-income, liquidity-constrained consumers. The behavioral response can also be influenced by perceptions of the deficit. If consumers are very aware of the effects of the tax cut on the deficit, this can lead to increased saving out of fear of a fiscal crisis or in anticipation of higher future taxes.

• A temporary tax cut has even smaller effects because consumers typically save a larger fraction of transitory gains.

• When money is sent to the states, they use some of it to maintain spending, some to avoid tax increases, and some to supplement rainy day funds. Although there is less research on this topic, it is not unreasonable to assume that a permanent increase in transfers to the states of 1 percent of GDP increases GDP by about 1 percent after two years.

For a plausible package of fiscal stimulus, a useful rule of thumb is that a legislated stimulus of $150 billion (or 1 percent of GDP) for each of two years (or $300 billion or 2 percent of GDP total) will increase GDP after two years by 1 percent. This increase of GDP of 1 percent will lower the unemployment rate by approximately ½ of 1 percentage point and increase employment by roughly 1 million. Of course, these rules of thumb are just approximations. And, there is considerable uncertainty about the effects of fiscal stimulus on output and on unemployment and jobs. We could be surprised in either direction.

C. Needed Size of Fiscal Stimulus

How much effective fiscal stimulus is called for depends on the goals of policy, as shown in Table 1:

• Creating 2.5 million jobs (relative to the no-stimulus baseline) by 2011Q1: $550 to $670 billion of legislated stimulus. Given the likely job losses, this is a relatively modest goal. How much legislated stimulus it will take to achieve this depends on the composition of the package. If the package is geared toward high impact spending, it is possible that this could be accomplished with the lower amount of spending. This amount of stimulus, however, would leave the economy significantly depressed, with unemployment just under 8 percent.

• Close just under half of the output gap by 2011-Q1: about $850 billion of legislated stimulus. This is a more ambitious option. It would shave approximately two percentage points off the unemployment rate, to 7.4 percent. It would close the output gap from roughly 7 percent to 3.5 percent.
Notice that neither of these packages returns the unemployment rate to its normal, pre-recession level. To accomplish a more significant reduction in the output gap would require stimulus of well over $1 trillion based on purely mechanical assumptions – which would likely not accomplish the goal because of the impact it would have on markets.

Recall also, the goal of the stimulus package is not just to reduce unemployment and create jobs. It is also designed to be an insurance package against catastrophic failure of financial institutions and other key industries.

### Table 1. Fiscal Stimulus and Outcomes in 2011Q1

<table>
<thead>
<tr>
<th>Headline Stimulus</th>
<th>GDP Gap</th>
<th>Jobs Created</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$655 billion</td>
<td>4.3%</td>
<td>2.5 million</td>
<td>7.8%</td>
</tr>
<tr>
<td>$880 billion</td>
<td>3.6</td>
<td>3.4 million</td>
<td>7.3</td>
</tr>
</tbody>
</table>

This is standard macroeconomic analysis and it has led most leading economists to call for substantial stimulus packages. Based on our consultations and published accounts:

**Progressive Economists:**

- Robert Reich believes it should be **$1.2 trillion over two years**, but also indicated it could be larger.

- Joe Stiglitz believes it should be **$1 trillion over two years**.

- Paul Krugman: **at least $600 billion in one year**

- Jamie Galbraith: **$900 billion in one year**

- Institute for America’s future (signed by Dean Baker, Andy Stern, Leo Gerard, John Sweeney, and others): **at least $900 billion**

**Republican Economists:**

- Marty Feldstein was an early proponent of a spending-only package and currently believes it should be **$400 billion in the first year**.

- Larry Lindsey, a former Federal Reserve Governor and NEC Director, estimates that **$800 billion to $1 trillion is desirable**.
• Ken Rogoff (widely respected macroeconomist, former chief economist of the IMF, former McCain adviser): $1 trillion over two years

• Mark Zandi (widely quoted economist, former McCain adviser): at least $600 billion in one year

• Greg Mankiw is the only economist we have consulted with who refused to name a number and was generally skeptical about stimulus.

Others:

• Senior Federal Reserve officials appear to be of the view that a plan that well exceeds $600 billion would be desirable.

• Adam Posen (Deputy Director of the Peterson Institute): $500 to $700 billion in one year

• Goldman Sachs: $600 billion in one year

• Open Letter signed by 387 economists including Nobel Laureates Robert Solow, George Akerlof, and Joe Stiglitz on November 19th [note that most economists, including Stiglitz, support higher stimulus numbers today than they did a month ago]: $300 to $400 billion per year

D. Other Considerations on the Size of Stimulus

From the perspective of raising demand and creating jobs there is a case for a very large program of stimulus. Considerations on the other side include:

• It may be possible to achieve some stimulus in other ways such as through financial policy actions. However the forecasts all assume reasonably aggressive behavior on the part of the Fed and likely are too optimistic about demand coming from the rest of the world.

• An excessive recovery package could spook markets or the public and be counterproductive. Given where the public discussion is moving and given the “flight to treasuries” present in markets at this point, we do not believe this should deter escalation well above $600 billion – a view shared by senior Federal Reserve officials. It does speak to the importance of accompanying recovery actions with strong measures to reinforce medium term fiscal credibility.

• The economy can absorb only so much “priority investment” over the next two years. Inevitably as the quantity of fiscal stimulus increases its quality declines, and the package tilts more heavily towards tax cuts and other lower priority measures. On the other hand, insufficient fiscal impetus could put recovery at risk with catastrophic consequences.
• It is easier to add down the road to insufficient fiscal stimulus than to subtract from excessive fiscal stimulus. We can if necessary take further steps. However, this is a key moment to get ahead of the curve in responding to economic distress.

E. The Core Package: Major Investments and Campaign Priorities

We have been working to design alternative options for economic recovery packages in the $550 billion to $900 billion range. The following three sub-sections lay out this work. Section D begins with the “core package” – which is essentially the largest amount we believe can reasonably be invested through outlays or targeted tax cuts on energy, infrastructure, health, education, protecting the most vulnerable and other priorities. These are generally key campaign priorities, major investments, and high-quality stimulus. Then Section E discusses how to add additional stimulus, either through state fiscal relief or across-the-board tax cuts for individuals or businesses. Finally, Section F draws these together into three illustrative packages.

Peter Orszag and OMB career staff, together with NEC staff, have worked with the policy teams to identify as much spending and targeted tax cuts as could be undertaken effectively in six priority areas: energy, infrastructure, health, education, protecting the vulnerable, and other critical priorities. The short-run economic imperative was to identify as many campaign promises or high priority items that would spend out quickly and be inherently temporary. The long-run economic imperative, which coincides with the message imperative, is to identify items that would be transformative, making a lasting contribution to the American economy. In all of these cases we had to balance various tensions, including incorporating serious reforms versus fast passage and implementation, and making the disparate components of the package coherent.

The spending and targeted tax cuts we identified represent the “core package” that we recommend as part of any of economic recovery options. This package totals about $300 billion, with about $225 billion of the money spending out over the first two years. This entire core package would represent highly effective fiscal stimulus, either because it is direct government purchases or because it is refundable tax credits or transfer payments to low-income households (e.g., EITC and food stamps) that will likely spend the money.

We will continue to refine this package to make sure it meets our goals and reflects your input and priorities. **But it is important to recognize that we can only generate about $225 billion of actual spending on priority investments over next two years, and this is after making what some might argue are optimistic assumptions about the scale of investments in areas like Health IT that are feasible over this period.** The core proposals are shown in Table 2. More details in all of these areas are provided in the Appendix, including discussions of critical reforms to accompany these proposals (e.g., a use-it-or-lose-it rule for infrastructure subsidies).
Table 2: The Core of the Economic Recovery Plan

<table>
<thead>
<tr>
<th>PUTTING AMERICA ON THE PATH TO ENERGY INDEPENDENCE</th>
<th>Cost ($billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jumpstarting a SmartGrid</td>
<td>14</td>
</tr>
<tr>
<td>Launching New National Efficiency Effort</td>
<td>20</td>
</tr>
<tr>
<td>Spurring Wave of Next-Generation Clean Technologies</td>
<td>13</td>
</tr>
<tr>
<td>Establishing Tax Incentives for Green Investments and Purchases</td>
<td>15</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>62</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RESTORING AND STRENGTHENING AMERICAN INFRASTRUCTURE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Repairing our Roads and Bridges</td>
<td>20</td>
</tr>
<tr>
<td>Creating New Infrastructure Bank</td>
<td>10</td>
</tr>
<tr>
<td>Safeguarding Drinking Water and Wastewater Systems</td>
<td>5</td>
</tr>
<tr>
<td>Modernizing Federal Buildings and Lands</td>
<td>8</td>
</tr>
<tr>
<td>Modernizing Airports and Air Traffic Control</td>
<td>1</td>
</tr>
<tr>
<td>Providing New, Clean Transportation Options</td>
<td>5.5</td>
</tr>
<tr>
<td>Increasing Availability of Affordable Public Housing</td>
<td>5</td>
</tr>
<tr>
<td>Restoring U.S. Leadership on Broadband Access</td>
<td>6</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TRANSFORMING HEALTHCARE AND PROTECTING FAMILIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shifting to Paperless Health System Through Health IT</td>
<td>20</td>
</tr>
<tr>
<td>Investing in Comparative Effectiveness, Prevention, Research</td>
<td>5</td>
</tr>
<tr>
<td>Protecting Vulnerable Populations and CDC Infrastructure</td>
<td>1.5</td>
</tr>
<tr>
<td>Cobra Subsidies [Note: we are working on developing this]</td>
<td>10</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>36</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SUPPORTING THE SUCCESS OF OUR CHILDREN AND YOUNG ADULTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Modernizing Thousands of Schools</td>
<td>7</td>
</tr>
<tr>
<td>Making Necessary Investments to Support Student Achievement</td>
<td>0.5</td>
</tr>
<tr>
<td>Stopping Teacher Layoffs and Improving Teacher Training</td>
<td>4.2</td>
</tr>
<tr>
<td>Preventing a 25 percent Cut in Pell Grants and Short-term Increases</td>
<td>13.6</td>
</tr>
<tr>
<td>Supporting Proven Job Training Programs</td>
<td>1</td>
</tr>
<tr>
<td>Increasing Short-term Childcare and Early Childhood Funds</td>
<td>3.7</td>
</tr>
<tr>
<td>Instituting the American Opportunity Tax Credit</td>
<td>20</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>50</strong></td>
</tr>
</tbody>
</table>
### Protecting the Most Vulnerable

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extending Unemployment Insurance</td>
<td>29.5</td>
</tr>
<tr>
<td>Modernizing Unemployment Insurance</td>
<td>7</td>
</tr>
<tr>
<td>Increasing Food Stamps Temporarily</td>
<td>11</td>
</tr>
<tr>
<td>Protecting WIC, TANF and Other Programs from Shortfalls</td>
<td>5</td>
</tr>
<tr>
<td>Increasing SSI Benefits Temporarily</td>
<td>3.4</td>
</tr>
<tr>
<td>Increasing the EITC &amp; Childcare</td>
<td>10</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>68</strong></td>
</tr>
</tbody>
</table>

### Other Priorities

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiring 7,000 Cops</td>
<td>1.4</td>
</tr>
<tr>
<td>Installing Homeland Security Interoperable Communications Networks</td>
<td>10</td>
</tr>
<tr>
<td>Jumpstarting Social Entrepreneurship</td>
<td>2</td>
</tr>
<tr>
<td>Increasing International Assistance</td>
<td>5</td>
</tr>
<tr>
<td>Expanding Short-term Scientific Research Grants</td>
<td>3</td>
</tr>
<tr>
<td>Improving the Federal Census</td>
<td>1</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>22</strong></td>
</tr>
</tbody>
</table>

**Total $300**

The core of your economic recovery package would result in several major, lasting accomplishments that would achieve ambitious short-term goals and jump-start critical long-term goals. The core package achieves the following short-term goals:

- Doubling renewable energy production, and reducing energy costs for 2 million newly-weatherized homes

- Largest investment of infrastructure funds to eliminate backlog of needed repairs

- Ensuring the newly uninsured have affordable health coverage

- Preventing teacher cuts across the nation

And it jumpstarts the following long-term goals:

- Creation of a Smart Grid, which will reduce energy costs, improve security, and allow the widespread deployment of renewable technologies

- Development of a National Infrastructure Reinvestment Bank to identify and fund the most important infrastructure projects nationally

- Facilitating the Near-Universal Adoption of Health IT Records
• Widespread Deployment of New Measures of Student Achievement to Improve School Accountability and New Teacher Pay Systems

We have also worked to make sure that this package includes reforms to ensure that the money is spent wisely. There is some tension between the goal of reforms and several practical objectives: some reforms slow the passage of the legislation, other reforms would be better if they were developed over time and introduced later (e.g., include teacher reforms in the No Child Left Behind reauthorization rather than the economic recovery plan), and finally other reforms could slow the delivery of money. We have attempted to strike a balance in developing the plan but look forward to more discussion and guidance around this balance. Here are some of the reforms we are considering including:

• Use-it-or-lose it and no earmarks with core infrastructure spending;
• Demanding accountability for infrastructure projects, including new federal oversight for all funds and ensuring long-term rigorous cost-benefit analysis of all projects;
• Enacting serious energy efficiency reforms, which have been long-neglected despite being the fastest, cheapest and most efficient way to reduce energy costs;
• Adopting a prevention and “what works” first health care agenda that will reduce costs for the federal government and consumers in future years;
• Providing significant federal incentives for new teacher compensation systems, coupled with new resources for schools to achieve strong goals;
• Enacting new countercyclical policies that will protect the uninsured and help minimize the impact of future recessions by adding a permanent countercyclical component to FMAP.

F. Sources of Additional Stimulus: State Fiscal Relief and Tax Cuts

As noted above, it is not possible to spend out much more than $225 billion in the next two years with high-priority investments and protections for the most vulnerable. This total, however, falls well short of what economists believe is needed for the economy, both in total and especially in 2009. As a result, to achieve our macroeconomic objectives – minimally the 2.5 million job goal – will require other sources of stimulus including state fiscal relief, tax cuts for individuals or tax cuts for businesses. All three of these areas, however, raise tradeoffs because they are not as economically effective as stimulus, do not represent a down payment on a campaign promise (with the exception of the Making Work Pay credit), and do not have a lasting impact on the economy beyond protecting against a deep recession. These issues are discussed below.
State Fiscal Relief

State deficits alone are projected to total $200 to $250 billion over the next two and a half years, excluding local government deficits. Under the balanced budget rules that apply in every state (except Vermont), states are undertaking large reductions in spending and several states, including California, are actively considering tax increases. These steps would not only be macroeconomically contractionary, but would also damage health and education systems.

The 2003 fiscal stimulus included $20 billion in state fiscal relief, half of it delivered by temporarily raising the federal matching rate for Medicaid (FMAP) and half in block grants distributed proportionately based on states’ population. The need for both aggregate fiscal stimulus and state fiscal relief is considerably larger today. The health team is particularly concerned about likely cuts to Medicaid because of tight state budgets. The economic team recommends $150 billion to $200 billion over two years for this purpose. We would recommend including as much of this as possible in FMAP – around $85 billion. A condition of receiving the FMAP increase is that states do not reduce eligibility; as such, it has an effect on health coverage as well. The remainder of the state fiscal relief would be provided in the form of a general block grant or a block grant under another label, like preventing cuts to teachers and cops. Recall that the estimates suggest that transfers to the states have a reasonably large macroeconomic bang for the buck.

State fiscal relief is likely to be unpopular with some, especially Republicans, who view it as letting states off the hook for their profligacy.

Individual Tax Cuts

We believe that additional tax cuts are required to achieve the degree of fiscal stimulus we are seeking. Note that in designing these tax cuts one important consideration is that the economic evidence shows that tax cuts for lower-income households, including refundable tax credits, are more likely to be spent and thus more likely to generate macroeconomic stimulus.

- **Targeted tax cuts.** The core package already includes several targeted tax cuts that you proposed in the campaign (e.g., for college, the EITC and childcare).

- **Making Work Pay ($140 billion for two years).** This is a core campaign commitment to cut taxes for 95 percent of workers and their families, providing a $1,000 refundable tax cut to a middle-class working couple. Although tax cuts are generally less effective than government spending in terms of stimulus, the perception that you would make this tax cut permanent would help stimulus. Some, however, are likely to view this as a “rebate” which they view as not having worked last time. Although our main proposals envision proposing Making Work Pay in the identical form to the campaign proposal, you could consider temporarily increasing it in 2009 and 2010 to achieve stimulus – although it might be a challenge to subsequently lower it.

- **Temporarily cutting sales taxes ($100 to $250 billion over two years).** Several economists have proposed providing grants to states that would require them to cut their
sales taxes. Arguably this is the most economically stimulative form of tax cuts because it encourages households to spend now rather than later to take advantage of the temporarily lower taxes. Also it has the least risk of becoming permanent and hurting the long-run fiscal situation. It does, however, raise administrative complications because it would require fifty states to pass laws and would limit their flexibility in responding to their deficits. A bigger challenge is overcoming the perception that your single largest economic proposal is about encouraging people to spend more, which goes against the investment and responsibility themes you have stressed.

**Business Tax Cuts**

Finally, the package could include business tax cuts that go beyond the targeted business tax cuts (e.g., incentives for renewables) already included in the core package. Here are some of the options we have considered:

- **Extending small business expensing for two years** ($2 billion over two years and $0.1 billion over ten years). The stimulus that passed in 2008 temporarily raised the amount small businesses could expense (i.e., deduct immediately) to $250,000 through the end of 2008. In the campaign you proposed to extend this temporarily higher limit through the end of 2010. Treasury estimates that would cost $2 billion over two years. Note that much of that money would be recouped in the following years because the small businesses that took the expensing would lose their future depreciation allowances, resulting in them paying higher taxes in future years (although still lower taxes overall). We recommend including this proposal in your package.

- **Extending 50 percent bonus depreciation for two years** ($144 billion over two years and $28 billion over ten years). The 2008 stimulus bill also allowed all businesses to deduct 50 percent of their investments in 2008, a provision that was included largely at the insistence of Republicans. You could extend this for two years. That would have a large up-front cost but most of the money would be recouped in future years as firms shift from smaller annual savings from depreciation deductions to larger upfront deductions from the bonus depreciation. The economic evidence that this will increase investment is weak and economists generally consider the experience with it in 2002-2004 and 2008 relatively disappointing. But it is administratively simple and has commanded strong Republican support in the past. (Note, we are also studying variants of this proposal, including 100 percent bonus depreciation – a step supported by several Republicans – or a proposal like 67 percent bonus depreciation in 2009 followed by 33 percent bonus depreciation in 2010.)

- **Extending Net Operating Losses** ($33 billion over two years and $6 billion over ten years). Currently firms are allowed to get a de facto refund for tax losses (or for tax benefits like bonus depreciation) up to the amount of taxes they have paid in the previous two years. In addition they can carry these losses forward for seven to ten years. With the weak economy, however, many firms have losses and moreover cannot borrow money to sustain themselves until they can monetize these losses against future taxes. As a result, this proposal would extend the carry back period from two years to five years. This
proposal would also enhance the potential stimulus to investment that comes from bonus depreciation. It is strongly supported by Republicans and we recommend you include it in the package.

- **New Jobs Tax Credit (up to $80 billion over two years).** The “Rescue Plan for the Middle Class” you released in the campaign included a tax credit for each new job. Such a tax credit could be designed, for example, to give employers $3,000 for each net new hire in 2009 and 2010 – perhaps above a base of 80 percent of previous employment to also give them an incentive, at the margin, to retain workers. We have not scored these proposals with Treasury but believe they could be dialed up to about $80 billion.

- **Cutting Employer Payroll Taxes ($140 billion or more over two years).** Finally, you cut give employers a credit against their payroll taxes to lower the cost of hiring and encourage them to expand employment. One way to do this would be to extend Making Work Pay to the employer share of the payroll tax. This could strengthen our message specifically around jobs. The downsides are that it could raise some administrative issues, some Republicans would not perceive it to be a business tax cut, and some Democrats would criticize it for being a business tax cut.

G. Combining These Elements into Four Illustrative Plans

Here are three illustrative packages based on the proposals outlined above:

- **Illustrative Plan #1 ($550 billion):** This would supplement the core package with $130 billion in state fiscal relief (of which $85 billion would be delivered via FMAP), one year of Making Work Pay, and business investment incentives. This might be just enough to just reach your 2.5 million jobs goal, although some forecasts could show it falling short.

- **Illustrative Plan #2 ($665 billion):** This would take Illustrative Plan #1 and add an additional $45 billion more in state fiscal relief in the form of a block grant (bringing the total state fiscal relief to $175 billion) and a second year of Making Work Pay. It would create 2.5 million jobs but still leave the unemployment rate at about 8 percent.

- **Illustrative Plan #3 ($810 billion):** This plan would build on the previous two by adding another $25 billion in state fiscal relief, another $40 billion in temporarily higher Making Work Pay Credit, and an expanded New Jobs Tax Credit. This proposal largely sticks to policies you outlined over the course of the campaign without adding major new ones. The net result would be about 2.9 million jobs and the unemployment rate would be 7.5 percent.

- **Illustrative Plan #4 ($890 billion):** Unlike Plan #3, this proposal adds a major, new $200 billion tax cut – either in the form of an employer payroll tax credit or a sales tax cut. This has the advantage of scalably achieving more stimulus. It has the disadvantage of introducing a brand new and large policy that may not be consistent with your overall
themes. The net result would be about 3.2 million jobs and the unemployment rate would be nearing 7 percent.

<table>
<thead>
<tr>
<th>Table 3: Four Illustrative Plans (Cost in $ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core Package of Investments</strong></td>
</tr>
<tr>
<td>Energy</td>
</tr>
<tr>
<td>Infrastructure</td>
</tr>
<tr>
<td>Healthcare</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>Protecting the Vulnerable</td>
</tr>
<tr>
<td>Other Priorities</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
</tr>
<tr>
<td>#1</td>
</tr>
<tr>
<td>62</td>
</tr>
<tr>
<td>60</td>
</tr>
<tr>
<td>36</td>
</tr>
<tr>
<td>50</td>
</tr>
<tr>
<td>68</td>
</tr>
<tr>
<td>22</td>
</tr>
<tr>
<td>300</td>
</tr>
<tr>
<td>#2</td>
</tr>
<tr>
<td>62</td>
</tr>
<tr>
<td>60</td>
</tr>
<tr>
<td>36</td>
</tr>
<tr>
<td>50</td>
</tr>
<tr>
<td>68</td>
</tr>
<tr>
<td>22</td>
</tr>
<tr>
<td>300</td>
</tr>
<tr>
<td>#3</td>
</tr>
<tr>
<td>62</td>
</tr>
<tr>
<td>60</td>
</tr>
<tr>
<td>36</td>
</tr>
<tr>
<td>50</td>
</tr>
<tr>
<td>68</td>
</tr>
<tr>
<td>22</td>
</tr>
<tr>
<td>300</td>
</tr>
<tr>
<td>#4</td>
</tr>
<tr>
<td>62</td>
</tr>
<tr>
<td>60</td>
</tr>
<tr>
<td>36</td>
</tr>
<tr>
<td>50</td>
</tr>
<tr>
<td>68</td>
</tr>
<tr>
<td>22</td>
</tr>
<tr>
<td>300</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Sources of Additional Stimulus</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>State Fiscal Relief (incl FMAP)</td>
</tr>
<tr>
<td>Making Work Pay</td>
</tr>
<tr>
<td>Business Investment Incentives</td>
</tr>
<tr>
<td>New Jobs Tax Credit</td>
</tr>
<tr>
<td>Employer Payroll or Sales Tax Cut</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
<tr>
<td>#1</td>
</tr>
<tr>
<td>130</td>
</tr>
<tr>
<td>70 (1 year)</td>
</tr>
<tr>
<td>50*</td>
</tr>
<tr>
<td>-</td>
</tr>
<tr>
<td>250</td>
</tr>
<tr>
<td>550</td>
</tr>
<tr>
<td>#2</td>
</tr>
<tr>
<td>175</td>
</tr>
<tr>
<td>140</td>
</tr>
<tr>
<td>50*</td>
</tr>
<tr>
<td>-</td>
</tr>
<tr>
<td>365</td>
</tr>
<tr>
<td>665</td>
</tr>
<tr>
<td>#3</td>
</tr>
<tr>
<td>200</td>
</tr>
<tr>
<td>180</td>
</tr>
<tr>
<td>50*</td>
</tr>
<tr>
<td>-</td>
</tr>
<tr>
<td>510</td>
</tr>
<tr>
<td>810</td>
</tr>
<tr>
<td>#4</td>
</tr>
<tr>
<td>200</td>
</tr>
<tr>
<td>140</td>
</tr>
<tr>
<td>50*</td>
</tr>
<tr>
<td>-</td>
</tr>
<tr>
<td>590</td>
</tr>
<tr>
<td>890</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Memo</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs Created by 2011-Q1 (millions)</td>
</tr>
<tr>
<td>Unemployment Rate in 2011-Q1</td>
</tr>
<tr>
<td>#1</td>
</tr>
<tr>
<td>2.0 – 2.5</td>
</tr>
<tr>
<td>7.8 – 8.0</td>
</tr>
<tr>
<td>#2</td>
</tr>
<tr>
<td>2.5</td>
</tr>
<tr>
<td>7.8</td>
</tr>
<tr>
<td>#3</td>
</tr>
<tr>
<td>2.9</td>
</tr>
<tr>
<td>7.5</td>
</tr>
<tr>
<td>#4</td>
</tr>
<tr>
<td>3.2</td>
</tr>
<tr>
<td>7.3</td>
</tr>
</tbody>
</table>

*Table shows ten year cost. The two year cost is over $180 billion.

**H. Key Questions and Considerations**

In the meeting with you on Tuesday we will discuss some of the key questions:

- How to trade off the message of the package against the desire for more stimulus?

- How to trade off the desire for reform vs. the desire for quick passage and implementation?

- How many Republican proposals should be included at the outset?

- How much do we want to start with an ideal plan vs. having a strategy to get from our starting point to a final plan?
• Are there any useful guideposts in developing the plan (e.g., 50 percent tax cuts and 50 percent spending increases) that we should consider?

• How do we ladder from the Economic Recovery Plan to the February budget blueprint?
II – REFORMS AND BUDGET SAVINGS

In the first few months of your Administration, we will submit or sign a more than $500 billion economic recovery package, a more than $100 billion Iraq/Afghanistan supplemental, potentially a request for $350 billion from the second half of TARP, and a $410 billion omnibus appropriations bill for the FY 2009 budget. This could come as a considerable sticker shock to the American public and the American political system, potentially reducing your ability to pass your agenda and undermining economic confidence at a critical time.

You will likely submit an economic and budget blueprint to Congress in the second half of February which details your overall budget framework and given the budgetary pressures created by the actions above, a key focus of this blueprint will be the major choices you are making to put America on a fiscally sustainable course.

This section of the memo discusses some ideas that could potentially be developed or released before the February budget blueprint to convey that you take fiscal discipline seriously and are not just focused on big spending and big tax cutting items. A key factor to consider will ensuring that these proposals do not just seem quantitatively small compared to all the new spending and some would argue miss the source of the long-run deficit.

A. Proposals Focused on Waste and Inefficiency

Attacking waste and inefficiency within government programs is not only an important symbolic step but also can help to create more confidence in government overall despite the relatively small savings from this approach. While the full line-by-line review of the government you have proposed will take time and could be reflected in the FY 2011 budget, there are a number of immediate ways to make a down payment on this pledge:

- **Releasing a “Top Ten” cuts/eliminations list.** In advance of the budget release, we could release a Top Ten cuts and/or program eliminations list that would demonstrate that we are focused on finding cost savings and eliminating waste throughout the federal budget. Potential candidates include:
  - Subsidies to large farmers, like the uncapped agricultural commodity payments
  - “Reading First”, a program you identified for termination during the campaign
  - Contracts that have come in late and over budget
  - Duplicative programs such as HUD “economic development” programs

- **Establishing a unit to examine waste, fraud, and abuse – and require cabinet officers to report back on the steps they are taking to address these problems.** This new unit – potentially placed at OMB – would investigate and expose wasteful spending by examining internal documents and conducting interviews of officials. The unit would also issue reports on the degree to which agencies followed the recommendations contained in IG and GAO reports, an idea supported by Congressman Waxman. You could announce the creation of this unit with an immediate order to your Cabinet officials to report on outstanding IG and GAO reports about their agencies.
• **Convening a “War on Waste” summit.** You could meet with top government watchdogs responsible for targeting waste and inefficiency within federal programs with a directive to provide their top recommendations on what to either cut or eliminate within thirty days. This proposal has been supported by Senator McCaskill.

• **Endorsing a Corporate Subsidy Reform Commission.** You could endorse a proposal similar to the one suggested by Senator McCain establishing a commission with BRAC-like powers to review inequitable federal corporate subsidies and make recommendations for the termination, modification, or retention of such subsidies. Senator Kerry and the CATO Institute have endorsed the concept, arguing that a BRAC-like process is the only way to remove the entrenched interests supporting various subsidies. This process could also be used to review inefficient tax loopholes like those you proposed to close during the campaign, as well as corporate tax expenditures.

Congressional leadership would likely oppose, given reluctance to establish procedures that bypass the traditional committee process, and rank and file members would be concerned about protecting their “subsidized” interests. There is also potential that some of the programs that you have advocated would be construed as subsidies.

• **Executive Pay Freeze.** You could issue a directive or initiate legislation that would institute a pay freeze for certain senior executive branch employees while the economy remains in recession. This could be a quick demonstration of your awareness of the struggles of working Americans, though it could also highlight the relatively high salaries of federal executives.

• **Earmark Reform.** Phil and the ethics team are working on a set of measures, likely via Executive Order, to tackle earmarks by both defining and publicizing how we will manage them in the administration, and using this effort as leverage with the Congress.

**B. Proposals Focused on Reducing Health Spending**

Although reducing waste and inefficiency within government programs is an important component of an overall fiscal discipline package, the key to our fiscal future is spending on Social Security, Medicare, and Medicaid. As we have already discussed with you, we believe it would be helpful to get out early in January with a “down payment” on health care cost savings totaling about $225 billion over ten years. We would clearly explain that these policies would be part of a larger plan to expand health coverage and make it affordable for all Americans. These proposals include:

- Medicare Advantage Competitive Bidding: ~$160 billion
- Mandatory Adoption of Health Information Technology: ~$10 billion
- Part D Income-Related Premium for Seniors with Income > $85,000: ~$8 billion
- Medicare Accountable Health Organization: ~$6 billion
Reduce Medicare Payments for Hospitals with High Readmission Rates: ~$5 billion
Reduce Medicare and Medicaid Fraud: ~$5 billion
Expand Hospital Incentive Quality Demonstration: ~$3 billion
Reduce Medicare Payments to Physicians Who Do Not Meet Flu Vaccine Benchmarks: ~$2 billion
Establish Prior Authorization for Imaging: ~$1 billion
Increase Medicaid Brand-Name Drug Rebate to 22.1 Percent: ~$5 billion
Family Planning in Medicaid: <$1 billion

In addition to these “scoreable” savings, we would also pair this announcement with the investments in the Economic Recovery Act: our support for a substantial comparative effectiveness and health IT effort, a process for making long-run cost containment decisions (see next section), and a prevention agenda. These steps may not immediately score, but we believe would ultimately improve the efficiency of the health system substantially.

C. A New Approach to Long-Run Fiscal Issues

Whatever specific policy steps we endorse could be supplemented with a commitment to a new process for other changes to long-run health policy, Social Security and taxes. There are two possibilities for making tough decisions on the long-run budget, which could be done either separately or together: creating an executive-branch “health board” (which focuses on one part of the issue) and a Congressionally chartered commission (which could focus more broadly). These approaches could also be done together, although a key point is that they currently have different champions in the Senate.

The health board idea, proposed by Sen. Daschle in his book, allows for timely and often-times difficult policy changes to be made to Medicare and Medicaid and possibly other parts of the health system with a degree of independence from the Congressional process and special interests. This idea is included in Sen. Baucus’s white paper on health reform. The Health and Economic Teams consider a Board an essential ingredient to improving the value of health care in the long run.

Another possibility is to support the creation of bipartisan commissions to study entitlement reform. For example, Senators Conrad and Gregg have proposed the Bipartisan Task Force for Responsible Fiscal Action. Under the Conrad-Gregg bill, a 16-member bipartisan task force would make recommendations on how to substantially improve the long-term fiscal balance. The recommendations would be fast-tracked in both houses, with final passage requiring a three-fifths vote. The proposal has been endorsed by House Majority Leader Hoyer, former GAO Comptroller General David Walker, Leon Panetta, and AARP CEO Bill Novelli. It has been opposed by Speaker Pelosi, Senators Reid and Baucus, and various chairs in House as unnecessary and unlikely to produce the results intended.

Other commission ideas come from Representatives Tanner and Castle, and from Senators Hagel and Webb. They have called for a bipartisan, eight-member Medicare and Social
Security commission. The commission would submit a final report within one year and ideally Congressional hearings would review the commission's recommendations. The Tanner commission does not bypass normal Congressional procedures, and is therefore less controversial but also viewed as not having much potential impact.

The Health Policy and Economic Team recommend that we commit to a process and provide examples of a commission or board, but not commit to either of these approaches in January. This allows us to tell supporters of the different approaches that we agree with their premise but want to work with them on the best method of implementation.
III. THE MEDIUM-TERM BUDGET OUTLOOK AND ISSUES

Section II just discussed some of the reforms you could roll out prior to the February budget blueprint. The goal of the reforms discussed in that section is to establish upfront that you are about changing the way Washington does business. But these reforms do not alter the challenge you will face in developing a comprehensive set of policies underlying the February blueprint – they are either relatively small in terms of their overall impact or they are already assumed in your budget.

And the challenge of developing a February budget blueprint is considerable. As you know, the budget outlook over the next ten years has deteriorated. Even without any new proposals, the budget deficit averages about 5 percent of GDP over the coming decade – an unsustainable course that is particularly troubling given the even larger deficits, driven primarily by rising health care costs, that are projected to occur thereafter.

The net impact of the campaign’s proposals is to expand the budget deficit over the next ten years – so the budget path including all those proposals is even more ominous for the medium term. For both substantive and political reasons (given the concerns of Senator Conrad and the Blue Dogs), it will therefore be necessary to do some combination of scaling back on campaign promises and making new choices to raise revenues or reduce spending. The following analysis proposes that you set a provisional budget goal to guide our internal efforts to develop specific options for a sustainable medium-term fiscal outlook. Based on your guidance we would then work with the full range of policy teams to develop options for your consideration to achieve the budget goal.

A. The Deficit Outlook

We now have preliminary budget estimates from Peter Orszag and OMB staff using updated economic assumptions developed by Christina Romer. Although they are not final, they seem reasonably close to the estimates that would form the basis of the budget blueprint to be released in mid to late February.

With a short-term economic recovery package, the deficit in fiscal year 2009 is likely to be about $1.3 trillion, which at 9 percent of GDP will be by far the largest deficit in American history excluding the two world wars and the Civil War. Most economists are not concerned about the near-term deficit deterioration, but the public may be more concerned. As noted above, it is therefore crucial in early January that we make it clear to the American public that you inherited this large deficit rather than created it.

The more troubling development is shown in Figure 3. Since January 2007 the medium-term budget deficit has deteriorated by about $250 billion annually. If your campaign promises were enacted then, based on accurate scoring, the deficit would rise by another $100 billion annually. The consequence would be the largest run-up in the debt since World War II and the highest debt as a share of the economy since the 1950s. Figure 4 shows the projected increases.
Note that all of the figures in these charts differ from the official CBO baseline, which will be presented in January, because the numbers here assume that all expiring tax cuts are continued, that the AMT patch is continued and adjusted for inflation and that the Medicare doctors' payment fix is extended. This is similar to the baseline used by your campaign, Goldman Sachs, the Concord Coalition and other independent analysts. This baseline is useful for understanding a realistic budget outlook and the impact of your proposals, although it is not.
consistent with the official baseline that has been used in Congress and is particularly controversial with some on the Hill, particularly the Budget Committees and the Blue Dogs. (The official baseline shows a better fiscal picture – for example, by assuming that all the tax provisions expire. This approach may be useful for official scorekeeping purposes, but as the tax example illustrates it makes policy assumptions that are widely viewed as unrealistic.)

The question of how you present your budget and what baseline you adopt is an important strategic one that we will discuss with you in the future. For now, the important point to note is that the choice of a baseline does not affect the actual deficit – it just affects the framing of the extent to which your campaign proposals add to the deficit. For the purposes of this memo, we will rely on the baseline deficit projections shown above.

B. Campaign Policy Commitments

Your campaign policies were intended to be fully paid for; any additional costs were designed to be fully offset by other explicit savings. The result of full offsets would be a deficit identical to the baseline deficit shown above. Preliminary estimates from OMB, Treasury, and more realistic independent estimates, however, indicate a gap of about $100 billion a year as shown in Table 4.
Table 4: Campaign Proposals in 2014 – (Cost: $ billions)

<table>
<thead>
<tr>
<th>Campaign Proposals</th>
<th>Campaign Offsets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
</tr>
<tr>
<td>Making Work Pay</td>
<td>75</td>
</tr>
<tr>
<td>Seniors, mortgage, childcare &amp; other</td>
<td>43</td>
</tr>
<tr>
<td>Patriot employer, small businesses, etc.</td>
<td>8</td>
</tr>
<tr>
<td>Repeal tax cuts above $250,000</td>
<td>96</td>
</tr>
<tr>
<td>Loopholes &amp; other</td>
<td>20</td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td></td>
</tr>
<tr>
<td>Plan Subsidies [Note: Health team working to lower]</td>
<td>190</td>
</tr>
<tr>
<td>Savings [Note: Health team working to raise]</td>
<td></td>
</tr>
<tr>
<td>Pay-or-play revenue</td>
<td>30</td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>15</td>
</tr>
<tr>
<td>Carbon Auction Compensation</td>
<td>120</td>
</tr>
<tr>
<td>Carbon auction revenue</td>
<td>135</td>
</tr>
<tr>
<td><strong>Domestic Spending</strong></td>
<td></td>
</tr>
<tr>
<td>0-5 Education</td>
<td>10</td>
</tr>
<tr>
<td>K-12 Education</td>
<td>19</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>6</td>
</tr>
<tr>
<td>Scientific Research</td>
<td>10</td>
</tr>
<tr>
<td>Service, Urban, Rural &amp; Other</td>
<td>11</td>
</tr>
<tr>
<td>Explicit spending reductions</td>
<td>10</td>
</tr>
<tr>
<td><strong>Security</strong></td>
<td></td>
</tr>
<tr>
<td>Veterans</td>
<td>25</td>
</tr>
<tr>
<td>CBO assumed Iraq/Afghanistan*</td>
<td>145</td>
</tr>
<tr>
<td>International Assistance</td>
<td>25</td>
</tr>
<tr>
<td>Counterterrorism</td>
<td>5</td>
</tr>
<tr>
<td>Additional Troops</td>
<td>5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$567</td>
</tr>
<tr>
<td></td>
<td>$471</td>
</tr>
</tbody>
</table>

*The average of CBO’s two assumed Iraq/Afghanistan policies does not reflect the President-elect’s policy.

The principal revisions relative to the campaign’s estimate are:

- Treasury estimates that the repealing the tax cuts above $250,000 would raise about $40 billion less than the campaign assumed. (The campaign’s estimates are consistent with the Tax Policy Center and appear consistent with the Joint Committee on Taxation.)

- Treasury’s preliminary and incomplete estimates indicate that the corporate loopholes and other revenue raisers total closer to $20 billion than the campaign’s estimate of $75 billion.
• The health plan is about $10 billion more costly than the campaign estimated and the health savings are about $25 billion lower than the campaign estimated.

• The above estimates include only “explicit” spending reductions, whereas the campaign assumed additional savings from efficiencies, contracting reform, and other measures.

C. Alternative Fiscal Goals

Closing the gap between what the campaign proposed and the estimates of the campaign offsets would require scaling back proposals by about $100 billion annually or adding new offsets totaling the same. Even this, however, would leave an average deficit over the next decade that would be worse than any post-World War II decade. This would be entirely unsustainable and could cause serious economic problems in the both the short run and the long run.

The following presents four other alternative fiscal goals. The first goal is to pay for all campaign proposals. The second goal is to keep the deficit to 3.5 percent of GDP, which roughly corresponds to the largest deficit as a share of GDP under President Bush. The third goal is to keep the deficit at 2.5 percent of GDP, which would be consistent with stabilizing and starting to lower the debt-to-GDP ratio by the end of the five year window. This is also above the average deficit under President Bush or the last 50 years, both of which are about 2.0 percent of GDP. The final goal is to balance the unified budget, a typical goal in normal times but something that would be very difficult to achieve given the current budget outlook. Table 5 shows what would be required to achieve these four goals:

<table>
<thead>
<tr>
<th>Goal in 2014</th>
<th>Necessary Spending Cut or Tax Increase in 2014</th>
<th>Deficit in 2014</th>
<th>Debt as a % of GDP in 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay for All Campaign Proposals</td>
<td>100</td>
<td>775</td>
<td>62%</td>
</tr>
<tr>
<td>3.5% of GDP Deficit</td>
<td>225</td>
<td>640</td>
<td>61%</td>
</tr>
<tr>
<td>2.5% of GDP Deficit</td>
<td>396</td>
<td>460</td>
<td>58%</td>
</tr>
<tr>
<td>Balance the Unified Budget</td>
<td>826</td>
<td>0</td>
<td>53%</td>
</tr>
</tbody>
</table>

Note that all of these goals are shown relative to the budget that includes the campaign’s policy proposals. So, for example, the roughly $350 billion in spending cuts or tax increases required to stabilize the debt as a share of GDP could include new proposals or scaling back existing campaign promises.
D. Illustrative Options to Achieve Your Desired Budget Goal

We believe we should set, on a provisional basis, the goal of developing options that have at least $300 billion of programmatic savings in 2014 so that we would be near the goal of stabilizing the debt as a share of the economy. Both the goals and the savings are, however, likely to be refined.

To help give you a sense of what this would entail, Table 6 shows a set of illustrative policy options together with the savings they would generate in 2014, the final year of the five-year budget window. Note that these options are not based on extensive consultations with all of the relevant policy groups—they are simply provided to give you a sense of scale for the goals you might choose to try to achieve.

<table>
<thead>
<tr>
<th>Table 6. Illustrative Budget Options – Savings in 2014</th>
<th>(Cost: $ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scale Back Campaign Plans</strong></td>
<td></td>
</tr>
<tr>
<td>Drop all tax cuts except Making Work Pay</td>
<td>44</td>
</tr>
<tr>
<td>Index health subsidies to a rate slower than premium growth</td>
<td>5</td>
</tr>
<tr>
<td>Use 50% of cap-and-trade revenue to pay for Making Work Pay</td>
<td>68</td>
</tr>
<tr>
<td>Phase in discretionary proposals over 8 years rather than 4 years</td>
<td>53</td>
</tr>
<tr>
<td><strong>Revenue Options</strong></td>
<td></td>
</tr>
<tr>
<td>Allow all tax cuts to expire except child credit, 10% rate &amp; marriage penalty</td>
<td>109</td>
</tr>
<tr>
<td>Limit the deductibility of employer-provided health insurance</td>
<td>30</td>
</tr>
<tr>
<td>Tax dividends at income rates above $250K</td>
<td>16</td>
</tr>
<tr>
<td>Institute a $0.50 tax on cigarettes</td>
<td>3</td>
</tr>
<tr>
<td>Tax investment income from life insurance</td>
<td>29</td>
</tr>
<tr>
<td>Additional IRS enforcement</td>
<td>25</td>
</tr>
<tr>
<td>Additional corporate loopholes not already in the campaign’s $20 billion</td>
<td>10</td>
</tr>
<tr>
<td>Implement VAT at a 5 percent rate</td>
<td>368</td>
</tr>
<tr>
<td><strong>Spending Options</strong></td>
<td></td>
</tr>
<tr>
<td>Limit domestic discretionary growth to inflation</td>
<td>68</td>
</tr>
<tr>
<td>Cut domestic discretionary spending by 10%</td>
<td>114</td>
</tr>
<tr>
<td>Use chained CPI [Note – affects revenues and outlays]</td>
<td>23</td>
</tr>
<tr>
<td>Reduce Medicare/Medicaid payments to disproportionate share hospitals</td>
<td>25</td>
</tr>
<tr>
<td><strong>Continue Bush Administration / Congressional Budget Practices</strong></td>
<td></td>
</tr>
<tr>
<td>Offset fully the cost of AMT reform</td>
<td>129</td>
</tr>
<tr>
<td>Assume miscellaneous tax cuts expire (excluding R&amp;D credit)</td>
<td>50</td>
</tr>
<tr>
<td>Assume no Iraq/Afghanistan expenditures after 2012*</td>
<td>55</td>
</tr>
<tr>
<td>Spending neutral Medicare doctors fix</td>
<td>31</td>
</tr>
</tbody>
</table>

*Note: this is a different budgetary assumption, not a different national security choice.
E. Next Steps

In our meeting with you on Tuesday we will discuss next steps on the budget based on your preliminary feedback on the alternative budget goals and the types of options that could be considered to achieve these goals.

We hope to get your guidance on what budgetary goal you would like to achieve and a very initial sense of the types of options you are interested in seeing. Based on your feedback we will work with all of the policy teams to develop and define a menu of individual options, and illustrative packages, to achieve the goals you set.
IV. FINANCIAL ISSUES

The following is a discussion of four financial issues: housing, autos, the TARP and financial regulation.

A. Housing

Starting more than a year ago, you have expressed great concern with the dramatic rise of foreclosures and wanted a policy to do something about it. There were more than 2 million foreclosures in 2008, but with the deteriorating economy and further decline of the housing market, analysts expect there to be 5 million more non-GSE foreclosures in the next two years.

Here we outline a five-part strategy for foreclosure prevention, based on work led by Austan Goolsbee in close consultation with Tim Geithner and your NEC Director, that is aggressive but targeted. The main component of the program focuses on reducing monthly payments to make mortgages affordable. We forecast that this effort will successfully prevent 1.5 million foreclosures and cost between $20 to $40 billion, to be funded through TARP (and thus not require legislation). Additionally, we suggest four other policies to supplement the main program—protecting servicers from legal suit, changing the Hope for Homeowners Act, changing the bankruptcy code, and more support for neighborhoods—many of which would require actual legislation. This memo walks through our recommendations and some key decisions we reached in order to arrive at them.

In formulating the approach we had extensive discussions with a wide variety of people: the transition housing agency review teams, officials from Treasury, the FDIC, Fannie and Freddie, the heads of several servicers, lending banks, Wall Street economists, academic real estate experts, the staffs of the banking committees, several senators, several governors or their staffs, and numerous nonprofit organizations concerned with housing.

1. Main Component: Encouraging Restructurings that Reduce Payments

The primary way we recommend you prevent foreclosures is by giving direct incentives to lenders to reduce the interest rate and the monthly payments of at-risk borrowers to make them affordable.

1. Mechanics. For borrowers qualifying as being at risk of default, a lender agrees to reduce the interest rate on the mortgage to a level that gets the mortgage debt down to 38 percent of income (DTI) and then the government provides a 50 percent subsidy for any further interest rate reductions needed to get the payment down to 31 percent DTI (so long as the interest rate required does not fall below 3 percent). Modified loans that remain current after three years would receive a fixed payment from the government to the borrower and the lender as an added incentive. There would be about 2.5 million loans that could be profitably modified in this way (i.e., save the lender money relative to actually foreclosing on the property) but something like 1 million might redefault later, resulting in 1.5 million successful modifications.
2. **Basic Eligibility.** The program would be designed for people at serious risk of default. We would define this generally as any borrower whose house value has fallen below the value of the mortgage and where the borrower has DTI in excess of 31 percent. In determining eligibility, there would be accelerated treatment for those that can document economic distress events (like job loss or major medical expenses) or victims of loan fraud or predatory mortgage practices. We recommend making only primary residences eligible and forbidding participation by any borrower with total debt exceeding 50 percent of their income (because restructurings are unlikely to prevent them from ultimately foreclosing).

3. **Taxpayer protection,** In return for participating in the program, the borrower would agree to a shared payback in the event of future appreciation. If they sell their house for a gain, the government would get 50 percent of the appreciation up to a maximum of the amount the borrower received as a subsidy.

4. **GSEs.** The GSEs could enact this program without the subsidy since they are in receivership.

2. **Address Legal Issues Relating to Servicers.**

   The government should pursue a two-track legal strategy to immediately help resolve the uncertainty over servicer rights vis-à-vis their investors, which has prevented many from modifying mortgages in a way to prevent foreclosures. On the first track, the GSEs would declare that the eligibility criteria in the new government foreclosure plan (stated above) is also their official standard of “at serious risk of default.” This would help clarify an industry standard around reasonable modifications, liberating servicers to interpret their own contracts accordingly. The second track would organize a servicer summit to explore other legal options to help servicers. One option to be discussed would be conditioning REMIC tax status on whether securitization trust agreements follow the government protocols for modification. Another option to be discussed would be indemnification for servicers who participate in the government program.

3. **Strengthen Hope for Homeowners Act to Temporarily Enable Write-Downs.**

   You were an original co-sponsor of the Hope for Homeowners Act- a foreclosure mitigation policy which sought to encourage principal write-downs among investors by splitting the cost with the government. Unfortunately, largely due to the unwillingness of lenders to write down principal, the program completely failed: 400,000 mortgages were eligible for write-downs but only 111 applied.

   Our conversations with industry and community groups have led us to believe that lenders will continue to resist the idea in most cases (and hence our core proposal is the affordability program outlined in Part 1). However, there were some flaws in H4H that remain—fees that push interest rates up for borrowers, fees that deter lenders, and requirements that lenders eat too much of the mortgage losses for them to be willing to participate. We recommend
fixing these flaws so that the program is more attractive and can function as a “last resort” for the deeply underwater mortgages that do not qualify for the affordability restructurings in the main plan. Moreover, keeping H4H on the backburner is a good idea so that if house prices fall further and walk-away defaults become a bigger threat, it can be ramped up.

4. Reform Bankruptcy Code to Begin When Hope for Homeowners Ends.

The next step in the housing plan is responsible bankruptcy reform along the lines of the Durbin bill you cosponsored. This would allow bankruptcy courts to write down the principal of primary residences to the current market value. We recommend announcing this reform to begin immediately following the close of the enhanced Hope for Homeowners period. This would give lenders an even stronger incentive to actually write down principal under H4H because of the prospects they would face in bankruptcy court.

5. Put a Focus on Other Housing and Community/Neighborhood Issues.

An important complement to the specific plans to fight foreclosures is to strengthen the organizational safety net for communities under threat and to help invest in the kinds of assistance that can help get the anti-foreclosure policies to succeed. There are many individual policies we have considered including: protecting renters forced to exit foreclosed homes, expand and enhance pre-purchase and default counseling, strengthen HUD’s Neighborhood Stabilization Program, make the federal government an active partner with leading private and nonprofit “responders,” and invest in conversion of existing units into rental housing.

Key Decisions Made in Reaching this Approach.

In coming to support the five-part strategy above – and particularly the main program – we dealt with several important judgment calls:

- **Targeted Foreclosure Prevention as the Right Approach:** We rejected two alternatives to the basic approach we recommend. The first was the argument that foreclosure policy is pointless and merely delays the inevitable expulsion of millions of people from homes that they cannot afford. We think this case is too extreme, and ignores both economic reality and human suffering. There are in fact many people being foreclosed from homes that they can afford – with temporary help – which is what our policy seeks to achieve. We have a reasonable goal of preventing 1.5 million foreclosures, but understand that there are still 3.5 million foreclosures that we cannot prevent.

- We also rejected the argument on the other side that we should have a broad policy to help the housing market - not just one for those at risk of foreclosure. A targeted policy will, undeniably, leave some out, and picking a boundary is difficult. Designed poorly, it could even encourage negative behavior for people trying to qualify (such as if you conditioned qualifying on being delinquent). Realistically, though, there are about 5 million non-GSE mortgages in threat of foreclosure but around 55 million total mortgages. To broaden the program away from targeting the risk of foreclosure would
be dramatically more expensive and the government would spend most of the subsidy on people that would not have been in danger of losing their homes. We have spent significant attention on making the design as streamlined and fair as possible. It is easy to go too far, however, and insist on such tight criteria to ensure every recipient is completely deserving that the aggregate impact on the foreclosure crisis is small. We tried to strike a defensible line between the extremes.

- **Affordability Modifications Rather than Principal Write-Downs.** We recommend putting the main focus on getting monthly payments down through lower interest rates rather than trying for principal write-downs.

  - First, historically, the main driver of foreclosure has been economic distress, rather than borrowers just walking away because the mortgage is underwater (less than one fifth of owner-occupied foreclosures right now are assumed to be due to walk-aways). Reducing the size of the payments so that the borrower can afford them will keep many from foreclosure. Writing down principal is an inefficient way of reducing monthly payments (since it gets amortized over thirty years).

  - Second, principal write-downs are likely to be extremely costly. There is something like $1 trillion of negative equity in the U.S. today so the prospect of trying to significantly reduce it, even if the cost were split between lenders and the government, would be daunting. Making the monthly payments affordable is much cheaper if the people are willing to stay on their own volition.

  - Third, it is easier, legally, for servicers to justify modifying interest rates than writing down principal. And the lenders themselves are utterly averse to write downs because they believe it sets a terrible precedent for other borrowers.

- It is important to raise the prospect, however, that the current foreclosure crisis which is largely driven by economic distress and affordability, could morph into a new foreclosure crisis driven by walk-aways. If that happened, we would have to contemplate a policy geared explicitly toward negative equity.

- **Reducing Interest Rates Rather than Guarantees Against Redefault as in FDIC/Bair Plan.** Our recommended plan is based on the government subsidizing lenders to reduce the interest rate, rather than asking them to reduce the interest rate on their own in exchange for a guarantee of half the loss in the event the restructured mortgage redefaults. The guarantee is especially attractive to lenders but we found it problematic given the enormous uncertainty it puts on the cost to the government from redefault risk, the scary redefault numbers coming out of the IndyMac experience thus far and the incentives it gives lenders to modify the worst performing loans and pass the costs on to the government. In a typical case, the government could end up paying something like $25,000 to $50,000 to a lender for restructuring mortgages that redefault in rapid order thus leaving almost none of the money going to help the troubled homeowners.
• We are still very much in the spirit of the FDIC/Bair plan, though, in that we are aiming at making the mortgages affordable so that we can get a lot of them done quickly and we take advantage of the basic fact that the people we want to keep from losing their homes are exactly the ones that want to stay in them and will do so as long as we can get their payments down.

B. Autos

Given that immediate assistance for the auto industry now relies on a decision by the Administration, Tim Geithner has been in regular contact with Secretary Paulson, and Treasury staff briefed members of our economic team on Sunday about their current thinking. In addition, we have over the past three days reached out to restructuring and bankruptcy experts to solicit views about the viability of various options being contemplated.

The Administration is currently considering two broad options (though their thinking is preliminary and no decisions have been made):

• Provide DIP financing if the companies file for bankruptcy. Under this approach, the Administration would announce a willingness to extend TARP funds as a DIP loan once a company has filed for bankruptcy. Given GM and Chrysler’s current cash positions, it is overwhelmingly likely that one or both would be forced to file before or immediately after the New Year. Treasury currently estimates that the companies would require $100bb of DIP financing. We believe that number may be inflated.

• Bridge funding with conditions similar to those debated in Congress. Under this approach, the Administration would extend short-term bridge financing contingent on the companies’ achieving certain restructuring benchmarks. The Treasury said they were looking at both the broad conditions contained in the House legislation (i.e. stakeholders negotiating a viable plan) and the proposals offered by Senator Corker (i.e. specific debt reduction targets and substantial accelerated wage concessions from the UAW). Under this plan, Treasury believes they would need to provide approximately $30bb to get the GM, Chrysler and their respective finance companies through January.

In assessing these options, it is important to recognize the near-term constraints that the Administration faces, which include:

• Limited availability of funds to pledge: The Administration’s capacity to provide near-term funds without Congressional action is substantially limited. If the Administration decides to provide assistance, they will need to use the $15 billion in remaining unpledged TARP as well as the $20bn in pledged but yet-to-be-spent TARP resources. This amount is unlikely to meet the full need over the coming months and would leave the government with no TARP funds for other purposes. Therefore, your Administration would need to seek (i) specific auto legislation post-January 6, or (ii) Congressional authorization to draw the next tranche of the TARP funds.
• **Time needed to facilitate a bankruptcy filing:** There are effectively four types of bankruptcy filings: 1) unplanned (generally fairly chaotic especially so in the case of the auto industry); 2) orderly (allows better communication with major stakeholders such as suppliers, but still potentially highly disruptive); 3) pre-arranged (stakeholders agree to term sheet for restructuring that they use as a basis for negotiations in bankruptcy); and, 4) pre-packaged (stakeholders make binding agreements that are submitted to court in advance of filing). If forced to file immediately, GM and Chrysler would fall into the first category resulting in potentially severe disruption to the entire industry. With a couple of weeks planning, they could achieve an orderly filing. A pre-arranged filing, would take at least several months to negotiate while a pre-packaged bankruptcy would take many more months and would be very difficult to achieve.

• **Economic impact of a bankruptcy filing:** There is substantial disagreement about the impact of an orderly bankruptcy filing on consumers, suppliers and the capital markets. Our tolerance for this risk is an important consideration in assessing the two options under review by the current Administration.

• **Limited ability to get back the full value of any funds that go into GM and Chrysler pre-bankruptcy:** Given legal constraints, government money that goes into these companies outside of bankruptcy will have limited protections in the event of a bankruptcy. This is not terribly surprising given that the government would be given securities that trade, in the case of GM, at anywhere from $0.15-0.40 on the dollar. While there may be ways to mitigate the government’s loss in the context of an eventual bankruptcy filing, the government is unlikely to recover the full value of any bridge investment. This issue most closely highlights a point we have made in previous memos concerning the conflict between actions that offer the greatest chance for economic stability (bridge financing on terms that reassures suppliers, customers and the markets) and those that offer the best chance for recovery of invested funds (DIP lending into bankruptcy).

• **The captive finance companies play a crucial part of the story and have their own distinct challenges:** For example, GMAC finances approximately half of GM’s retail sales. Given their capitalization and the state of the financing markets, they cannot provide meaningful amounts of credit on attractive terms to consumers. Efforts to restructure GMAC as a bank holding company will require close coordination between the Fed, FDIC and Treasury as well as a meaningful restructuring of its balance sheet.

• **A significant number of observers doubt Chrysler’s viability as a standalone company:** This raises complex questions about whether the government should differentiate between Chrysler and GM as well as the amount of financing the government should provide to Chrysler outside of bankruptcy. Ford continues to reiterate that barring an uncontrolled bankruptcy by GM and Chrysler it does not need immediate financing although it may face competitive disadvantages if its competitors go through government assisted reorganizations.
Given these constraints, our view is that there are three approaches that the Administration can realistically take in the immediate term:

- **Provide remaining TARP funds as the first tranche of DIP funding into an organized filing sometime around the New Year** (even this option may require some level of bridge funding).

- **Provide remaining TARP funds explicitly as a bridge loan to a pre-arranged bankruptcy filing.**

- **Provide funding sufficient to get GM and Chrysler through the end of January with conditions designed to make as much restructuring progress as possible without pre-determining whether your Administration will pursue an out of court restructuring or a bankruptcy filing of some kind.**

In summary, these are the questions that we will be discussing with you on Tuesday:

- How, if at all, do we wish to engage with the current Administration on their plans?

- If there is a substantial likelihood that an eventual bankruptcy filing will be necessary to effectuate a successful restructuring of GM and/or Chrysler, how do we balance the desire to get that process started against the possible disruption a filing could cause?

- If the Administration does not force a bankruptcy before January 20, how specific and stringent would we like them to be about the conditions necessary to receive additional funds in your Administration?

- What oversight structure (e.g. board comprised of cabinet secretaries; independent Car Czar; advisory panel to government decision-makers) will be most effective at achieving our preferred goal, and how far would we like the current Administration to go in putting this structure into place?

### C. Stabilization, Repair and Recovery of the Financial System

This section outlines our strategy for stabilizing the U.S. financial system based on work led by Tim Geithner. Our judgment is that we need to move quickly to put in place a program that satisfies the critical imperative of decisively restoring public confidence in the health of our financial institutions and improving overall market functioning. Doing so will require more resources—potentially considerably more—than those authorized under the TARP. An effective program for stabilizing the financial system is a necessary complement to your Economic Recovery Plan and to more targeted efforts to support the housing market. Without healthy institutions and robust markets, our efforts toward repair and recovery for the broader U.S. economy are likely to be compromised.
Current Situation

With the recent sharp deterioration in the already weak economic outlook, there is considerable potential for a severe adverse feedback loop between economic activity and the stability of the financial system. Despite the dramatic actions already undertaken to strengthen our financial institutions and improve the functioning of our financial markets, nearly every segment of our financial system remains under extraordinary strain. The public has deep concerns about the health of both banks and non-bank financial institutions as uncertainty grows about the size of future losses across a wide range of asset classes. Liquidity and functioning of our financial markets continues to be severely impaired, and the nearly complete breakdown in the functioning of securitization markets threatens to severely constrain access to credit for households, businesses and state and local governments.

The scale of potential losses in the pipeline for U.S. financial institutions is substantial, particularly when considered relative to the current capital stock and to the remaining funds allocated for financial stability purposes under TARP. The most recent estimates available were computed back in October, when the outlook for the real economy overall was stronger, and asset classes such as commercial real estate had not begun to deteriorate to the extent we are now witnessing. At that time, the total need for new capital at banks alone was seen to be in the range of $250 to 500 billion. We now believe these estimates represent the low end of what will be needed. Private capital seems unlikely to fill the gap.

At present, $335 billion of the first $350 in TARP funds has been committed for capital injections in healthy and distressed financial institutions and for use in Federal Reserve program to support consumer and business. However, not all of the committed $335 has been disbursed. We estimate that to the extent Treasury has any flexibility to redirect these funds, they could at most do so for $20 billion of the $335. This leaves a maximum of $35 billion in available funds from the first $350 tranche for potential use for a bridge loan to auto makers or other contingencies.

Policy Objectives and Strategy

Our judgment is that policy initiatives to date have been undermined by the absence of any meaningful communication about objectives or the framework being used to achieve those objectives. Escalation generally occurred too late and decision making proved too erratic to have sustained positive effect on either financial conditions or on confidence. Ultimately the rapid deterioration in the U.S. and global economy overwhelmed what, by historical standards, were significant government actions. Some specific examples of where policy has been ineffective are as follows:

1. Policy responses to large distressed firms have been inconsistent, in part because of the absence of a clear authority and in part because of conflicts across agencies over how to balance the political and moral hazard concerns with the potential damage caused by default of large institutions.
2. The capital injections and FDIC guarantees were essential, but while policymakers recognized at the time that substantial additional capital would be necessary, they failed to act quickly enough on that knowledge.

3. Government assistance to financial institutions was seen to occur without sufficient conditions/restrictions, and the absence of a clear regime for oversight and accountability further undermined public support for the program.

Our aim is to depart in both substance and appearance from the mistakes of the past year and a half, by providing the public a clear statement of our policy objectives and strategy.

**Policy Objectives**

- **Decisively stabilize core financial institutions** to help create the conditions for recovery and growth.

- **Support the flow of credit** to households and businesses and restore the healthy functioning of capital markets.

- Develop a clear **mechanism for dealing with distressed firms** whose default would potentially disrupt the functioning of the system.

- **Support well-designed initiatives in the housing sector**, including a program to avoid preventable foreclosures.

- **Take great care with taxpayer’s money** by coupling support with meaningful and clear conditions and strong oversight.

- **Plan for a careful exit strategy** that will withdraw government support from the financial sector in a manner that leaves the system stable and attractive to private capital.

**Strategy**

Clearer communication with the public about our strategy requires a number of high level decisions to be made at the outset, including the breadth of access we will grant to our program and whether the disbursement of funds will be triggered by distress at an individual firm or whether it would occur preemptively to alleviate system-wide distress. Beyond these high level decisions, there are a number of critical design elements to be worked out.

- Our current assessment is that we will need to use a mix of options that will definitively recapitalize the core financial institution while also potentially providing some form of relief from the threat of outsized losses on troubled assets, either in form of purchases or insurance.
In addition to actions to stabilize financial institutions, we will need to use TARP funds to improve broader market functioning and target specific sectors most acutely affected by the current strains. This will include:

- Dramatically expanding programs that support overall market functioning in order to ensure the smooth flow of credit markets to households and businesses.
  
  o These programs should leverage both TARP and FDIC funds by deploying it in structures that use long-term financing provided by the Federal Reserve.

- Providing targeted support, either in the context of the type of structure described above, or in other forms, for small business lending, student loans, and other non-bank financial firms to support those sectors directly.

- Exploring changes to reserve, capital, accounting and disclosure practices that can both improve confidence in bank balance sheets and avoid adding to pressures to deleverage.

- Developing a resolution regime for systemically-significant firms to allow policymakers to avoid disorderly bankruptcies.

- Designing a governance/oversight framework that improves confidence in oversight and controls designed to reduce risk to the taxpayer by:
  
  o Setting expectations for firms that benefit and comes with metrics for tracking and communicating about lending and developments in capital markets,

  o Imposing conditions designed to make sure that shareholders and senior executives do not benefit inappropriately from government support,

Process

As part of our policy development process, we have consulted extensively with private sector and academic experts, current government officials, and economists. We will continue to consult broadly as we develop our specific recommendations during the next several weeks.

Our read is that the credibility of the TARP program itself may be so damaged that it will be very difficult to secure the second $350 billion tranche and achieve our goals within this program. Phil Schiliro suggests that we consider repealing TARP and replacing it with a new program that we design and propose as part of the Economic Recovery Plan. This requires us to weigh the benefits of a revised and expanded financial rescue package against the potential for delay or complication of the passage of the Economic Recovery Plan.

We envision outlining a broad strategy shortly after Inauguration with a comprehensive speech and coordinated announcement with the Fed and FDIC. Over the next two weeks, we will
be working on alternative approaches, and will plan to present you with options and recommendation in early January.

**Key Questions and Issues for Discussion**

In the meeting with you on Tuesday we will discuss the following key questions:

- **Positioning:** Should we seek to repeal TARP and replace it with a new program of our own design and branding, perhaps recast as an Economic Recovery and Stabilization Fund?

- **Timing:** Should the request for the remaining funding be proposed as a part of the Economic Recovery Plan, or would such a strategy complicate passage of necessary legislation?

- **Sizing:** Given our assessment that the need is likely to exceed $350 billion, should the additional funding be sought immediately or after some period? How should we prepare Congress and the American people for the likelihood of additional requests?

- **Expectations:** The TARP has been framed for Congress and the public as a program that will generate a positive financial return for taxpayers. The deteriorating economic and financial situation is raising the probability that investments made under TARP will incur losses. Are there steps we should take in the near term to reset expectations?

- **Escalation:** In an effort to get ahead of the curve, should we conduct substantial capital injections in the near term or follow the current approach of relying on capital injections already undertaken, husbanding additional capital for contingencies and using a limited amount of resources to support lending and securities markets?

- **Conditioning:** How should we resolve the tension between imposing strong conditions on the entities that take advantage of TARP funds and the need for flexibility to ensure effectiveness?

**D. Financial Regulation**

Reform of the financial system will be a significant part of the economic agenda during the next one to two years. It is necessary for restoring consumer and investor confidence in the short term and promoting stability and growth in the long-term. The current crisis reveals serious failures in traditional areas of regulation such as bank supervision, market integrity, and consumer and investor protection. In particular, it underscores the need for a more stable financial system—one that is more able to withstand shocks and distress and less vulnerable to crisis. The general public and members of Congress have an appetite for meaningful regulatory changes in light of the damage to the real economy and the scale of fiscal resources required to stabilize the system. The new Administration has an opportunity to lead forcefully on this issue
right away, and we will have to move quickly to shape the important international dimension of a credible reform agenda.

The challenge, however, will be to balance the imperative of early progress in outlining a comprehensive agenda for reform with the reality that we are likely to be still in crisis management mode. We have to get this right. The technical challenges are enormous, apart from the political difficulty of legislating meaningful reform. If not managed carefully, the central reform imperative of inducing more conservatism in leverage requirements and risk management will risk intensifying the ongoing de-leveraging process.

With those qualifications, we want to be in a position where, within thirty to forty-five days of taking office, the new Administration can present the broad outlines of a reform plan that would offer the prospect of a more stable financial system, with greater protections for consumers and investors and a simpler and integrated oversight structure. As part of this process, we need to explore whether to proceed in a two staged approach, with an early round of initial reforms, perhaps as part of the post-TARP financial recovery plan, followed by a more comprehensive package, or to move the full agenda in one step somewhat later in the year.

Principles

The starting point for regulatory reform is the set of principles outlined in the March 2008 Cooper Union address and elsewhere on the campaign. These principles establish a baseline for a system that is safer and more just for all participants. In short,

1. We need a more effective approach to mitigating systemic risks to the financial system.

2. Any institution that is sufficiently significant that it could borrow from government liquidity facilities in a crisis should be subject to appropriate government oversight and supervision.

3. We need to reform and strengthen capital, liquidity, and disclosure requirements for all regulated institutions and must work with international arrangements to address similar problems abroad.

4. We must streamline overlapping and competing regulatory agencies to provide better oversight of increasingly interdependent and complex institutions.

5. We must regulate institutions for what they do rather than the precise legal form they take.

6. We must crack down on activity that crosses the line to market manipulation.

7. Consumers and borrowers must be protected in financial transactions by improving consumer education and product transparency while also prohibiting predatory practices.

8. Whatever we do in the United States will have to be complemented by a consensus among other major and emerging economies.
Over the next three weeks we will be adding more detail and definition to these principles, and explore their application to the assessment and redesign of the TARP and other programs.

**Administrative Actions**

A significant cause of the current crisis lies in the failure of regulators to exercise vigorously the authority they already have. Because considerable discretion is required in the financial regulatory process to deal with the specific circumstances of different financial institutions or market conditions, a first important step towards reform is to appoint strong regulators who share your basic principles and will use existing (and new) authorities to implement them. They should also be oriented towards a dynamic process for streamlining the regulatory structure, even at the potential jurisdictional expense of the agencies to which they are appointed. Finally, enactment of these principles will require greater coordination of regulatory initiatives through the President’s Working Group on Financial Markets, the Financial Stability Forum, and other relevant international fora.

**Statutory Changes**

In the near term, the main elements of regulatory reform legislation are expected to include the following:

- Strengthening authority for mitigating systemic risks. The Federal Reserve will be primarily responsible, but Treasury will play a coordinating role in defining the full range of policies and regulations that are relevant to this challenge, from capital requirements to taxes and accounting.

- Increasing the level of consumer protection related to mortgage fraud prevention and mortgage transparency, abusive credit card practices, and student loan abuses.

- Centralizing regulatory authority over payment systems and other aspects of market infrastructure, including the derivatives markets.

- Establishing new authority for crisis resolution. This includes greater flexibility for FDIC interventions in institutions in crisis, as well as the creation of a special insolvency regime—modeled on the existing one for commercial banks—for bank holding companies and, where necessary, systemically significant non-bank financial companies.

A process to flesh out the substance of these proposals as well as choreograph the sequencing and packaging of necessary legislation is underway. We want to avoid the risk of over-legislating while at the same time providing sufficient leadership and direction to Congress to instead provide all the legal powers needed to build a stronger regulatory framework.

We also need to decide the future structure and mandate of the GSEs. Finally, of course, we will want to propose changes to consolidate and rationalize the panoply of federal financial regulators. With the possible exception of a consumer financial services agency, this step should
probably come later, rather than sooner, since the turf politics among agencies, regulated market actors, and Congressional oversight committees are likely to deflect attention from substantive regulator reforms.

**Next Steps**

We recommend taking an early lead on these issues with a definitive address that outlines the broad objectives and strategy. Some elements of this agenda could be announced early. Among the candidates for early introduction are campaign promises such as the Credit Cardholder bill of rights, which bans certain practices, some of which have already been banned by the Federal Reserve, and the STOP FRAUD Act, which, among other things, creates a federal definition of mortgage fraud and allocates additional law enforcement resources to combat fraud and increase consumer protection. Other options include stepping out early in favor of simple anti-usury legislation (capping all consumer lending interest rates at 36 percent) or the Consumer Credit Safety Commission expected to be proposed by Senator Durbin.
I. Energy—Submitted by Energy Policy Team
II. Infrastructure—Submitted by the NEC
III. Health—Submitted by the Health Policy Team
IV. Education—Submitted by the DPC
V. Protecting the Most Vulnerable—Submitted by the NEC
VI. Other Priorities Under Consideration—Submitted by the NEC
I. NEW ENERGY FOR AMERICA

"...we have the opportunity now to create jobs all across this country, in all 50 states, to repower America, to redesign how we use energy, to think about how we are increasing efficiency, to make our economy stronger, make us more safe, reduce our dependence on foreign oil, and make us competitive for decades to come, even as we're saving the planet." -- President-Elect Obama, December 2008

The stimulus package is a key tool for advancing clean energy goals and fulfilling a number of campaign commitments. Our plan will give a critical jolt to America’s economy by investing nearly $50 billion to develop clean energy and create green jobs in communities across the country by:

- Doubling renewable energy -- wind, solar and geothermal
- Saving taxpayers nearly $1 billion annually by greening the federal government
- Lowering energy costs for 2 million working families through a massive weatherization program to put unemployed workers back on the job.
- Creating first of a kind $5 billion competition to rebuild the national electricity grid network to better meet renewable energy targets

Transforming the way our nation uses and generates energy is one of the greatest challenges of our time -- vital to the future of our economy, our security and our environment. From the instability and terror bred in the Middle East to the rising oceans and record drought and spreading famine that could engulf our planet. We know that we cannot sustain a future powered by a fuel that is rapidly disappearing.

We also know that we have been talking about this issue for decades. We have heard promises about energy independence in State of the Union addresses since the oil embargo of 1973. Back then, we imported about a third of our oil. Now, we import more than two-thirds. Back then, global warming was the theory of a few scientists. Now, it is a fact that is melting our glaciers and setting off dangerous weather patterns. Then, the technology and innovation to create new sources of clean, affordable, renewable energy was a generation away. Today, you can find it in the research labs of universities and the wind and solar farms across America. But capitalizing on a clean energy future will require an all-hands-on-deck effort. And one that we must begin today.
II. TRANSFORMING THE FEDERAL COMMITMENT TO OUR NATIONAL INFRASTRUCTURE

President Elect Obama will make the single largest investment in our nation’s infrastructure since the creation of the federal Interstate Highway System. The Obama-Biden Administration will transform federal infrastructure policy by demanding greater accountability for infrastructure projects, ensuring that our focus is on projects that expand opportunities for economic growth, and fostering innovation to ensure our infrastructure policy helps America achieve critical national goals including energy independence and bottom-up economic growth.

OVERVIEW

The President Elect’s economic recovery plan will create millions of new jobs by focusing on three critical infrastructure areas: immediately restoring crumbling infrastructure neglected by years of failed policies; jumpstarting construction of new capacity projects that will allow American businesses to grow; and targeting federal funds to high-priority projects that have strong potential to spur regional and national economic growth.

The President Elect’s plan will meet these important goals by implementing new, tough accountability measures that will allow the President, Congress and the American people to track the progress of funded projects:

- No Earmarks. Under the President Elect’s plan, Members of Congress will not be allowed to “earmark” recovery package funding for specific pet projects.
- Use it or Lose it. The President Elect and his Secretary of Transportation will require that federal funds for ready-to-go projects are obligated within a reasonable timeframe – 120 days – to maximize job creation and productivity during this recession. Funds that are not obligated will be reassigned to other projects that are truly ready-to-go.
- Oversight. All states will be required to send detailed progress reports for all initiatives supported under this plan to the Inspector General of the Department of Transportation every six months. These progress reports will be made available to President, Congress and the public.

RESTORE NEGLECTED INFRASTRUCTURE

After decades of underfunding, too many components of our national infrastructure system are in disarray, creating tens of millions in economic costs to American workers and businesses and adding tremendous pressure to our global competitiveness. The President Elect’s plan immediately tackles the backlog of repair and restoration projects across the country by making nearly $40 billion in immediate investments in these areas:

- $20 billion to reverse state and local government funding cuts to infrastructure repair, safety and capacity projects on our roads and bridges, and incentivizing states to spent money in first year by fully eliminating state match requirement in the first year, followed by an increasing match that fully restores existing requirement in subsequent years.
• $5 billion to strengthen the safety and efficiency of our overtaxed wastewater and drinking infrastructure systems across the country, including in rural areas which have been especially underfunded in federal appropriations processes
• $8 billion to restore and improve the efficiency of federal buildings and institutions, including research facilities, office buildings, and border ports-of-entry
• $5 billion to increase the availability of affordable housing by making necessary repairs to public housing units across the country
• $500 million to clean up hazardous waste in industrial sites across the country and create new opportunities to use these spaces for economically productive purposes

ENHANCE ECONOMIC GROWTH BY JUMPSTARTING 21ST CENTURY INFRASTRUCTURE PROJECTS

The President Elect’s plan makes critical, short-term investments in bold initiatives that have strong potential to ensure decades of new economic growth. The President Elect transforms existing infrastructure policy by no longer relying on failed Washington politics to meet our short and long-term economic goals, and instead implementing new mechanisms to ensure federal funding is meeting our highest priorities in a timely manner without unnecessary pork or waste. The economic recovery plan jumpstarts exciting infrastructure projects around the nation by:

• Creating a new, independent National Infrastructure Reinvestment Bank to select and finance the highest-priority infrastructure projects in the country. The Bank will receive an infusion of $10 billion from the federal government over 2 years to use innovative financing mechanisms to support projects that enhance national economic, energy, safety and transportation objectives.
• Requiring states to set up rigorous economic analysis units for all state-supported transportation proposals to ensure efficient project selection in the years to come ($100 million)
• Making an unprecedented new investment in public transit systems to enhance capacity in our nation’s busiest transportation centers ($5.5 billion)
• Modernizing our airports and air traffic control system to minimize airline delays and improve runway safety by beginning to replace the decades old computer systems that are used by our air traffic controllers and shifting to performance-based navigation ($1 billion)
• Jumpstarting restoration of American leadership on broadband access by enacting creative incentives to increase the availability of broadband networks across the country ($6 billion)
III. PRELIMINARY HEALTH CARE COMPONENTS OF THE ECONOMIC RECOVERY PLAN

Medicaid and SCHIP Matching Rate (FMAP) Increase. Both Chambers have proposed using an increase in the FMAP as a way to direct Federal funds to states and protect existing coverage. They are coming closer to consensus on a proposal that would provide all state with an equal, roughly 5 percentage point increase in the FMAP. States who facing greater economic distress (measured through three factors: state unemployment data, food stamps and foreclosure rates) would receive an additional increase. The trigger for the higher increase would be based on the most recent data, so that some states that may not qualify now could in the future. Both would last for 27 months (9 quarters) and make a condition of receiving new funding maintenance of eligibility rules in place as of July 1, 2008. We are also considering options so that this increase is counter-cyclical – turning on automatically when the next economic crisis hits. Cost: ~$87.5 billion (displayed as state relief).

Expand Adoption of Health Information Technology. The economic recovery plan may establish two trust funds at HHS for Health Information Technology totaling $20 billion. The first trust fund would be spent in the first two years and would allocate $1-2 billion on health IT infrastructure through existing authorities. These funds would go towards standard development, pilot projects, and grants to safety net providers, states, and other entities. The second trust fund would lock in $18-$19 billion that, beginning in 2011 would be spent on payment incentives in Medicare and Medicaid for information technology adoption. The speed of the spend-out depends on our aggressiveness at setting a deadline for full adoption. Cost: ~$20 billion

Prevention. Large-scale community-based prevention efforts are needed to reduce obesity/overweight and tobacco use, which are the two main contributors to chronic disease and drivers of health care costs. A Wellness Trust would be established at the CDC to provide dedicated funding for the implementation of community-based prevention programs across states, evaluation of such programs, and expansion of the public health workforce. Over time, this Trust would fund clinical prevention services as well. Cost: ~$1-2 billion

Comparative Effectiveness Research. This research would help identify effective drugs and treatment strategies that would improve health care quality and safety and, over time, reduce costs. Further, a national investment in medical research will lead to a 50-fold return to the economy. Funding could be appropriated to the Agency for Healthcare Research and Quality which would have the authority to transfer it to the National Institutes of Health and other agencies, as well as to federally-funded research and development centers. Priorities, methods, and dissemination strategies would be governed by a public-private advisory council. Cost: ~$1.5 million to $2 billion

Strengthen the Health Workforce. The nation is facing dramatic shortages of doctors and nurses and expanding loan repayment programs is one way to address this challenge and create jobs. For example, additional funding would be provided for the National Health Services Corps loan repayment, the Nursing Loan Repayment and Scholarship Program, and the Nurse Faculty Loan Repayment Program. Oral health providers would be increased, including mid-level dental health practitioners. Cost: ~$1 billion (note: displayed with other workforce investments)
IV. EDUCATION AND ECONOMIC RECOVERY: INVESTMENTS TO GROW THE ECONOMY AND MAKE AMERICA MORE COMPETITIVE

The economic recovery plan provides an opportunity to create jobs by modernizing schools so that they can meet the challenges of the 21st century, reform schools and improve teaching so that students have the skills they need to succeed in the technology and information-driven economy, and ensure more Americans can afford to attend college.

I. Modernize Schools for the 21st Century

The economic recovery package modernizes our schools to meet the technology, environmental and academic demands of the 21st century by tackling the enormous existing backlog in maintenance and construction for public schools, including charter schools.

At present, there are two distinct school modernization proposals under consideration.

The first option provides $6.9 billion in funds to States for school modernization to create safe, up-to-date, and green schools. Funds would generally support renovations to:

- Repair and refurbish schools, including charter schools and community colleges;
- Make schools energy efficient;
- Update technology in classrooms, including broadband.

In addition, this option provides about $100 million for targeted investments in the repair and renovation of K-12 schools serving military bases or Indian lands.

Alternatively, a second option is to base funding for school modernization on a specified goal. Specifically, the $x billion proposed for the stimulus bill would be sufficient to (1) clear X% of the backlog of identified, necessary repairs and assist Y schools and colleges in making green renovations, (2) provide enough funding to repair X schools and colleges and help another Y schools and colleges go green, and (3) provide sufficient funding to pay for emergency renovations to ensure schools meet health and safety code requirements, and are accessible to individuals with disabilities. We are working to establish parameters that will create several options that meet these goals.

The school modernization proposal will also provide schools with better data to track outcomes and improve student learning. The plan increases funding for longitudinal data systems by $500 million, which would ensure States and districts can measure growth by tracking individual students over time and providing real help for teachers in tailoring their instruction and to administrators in targeting interventions and funding.

II. Strengthen Teaching and Learning to Improve American Competitiveness

The economic recovery package will improve teaching and learning in America’s public schools and early childhood education centers.
The plan would transform the teaching profession in three ways: first, providing funds to states to develop innovative approaches to recruit, retain and pay teachers by directing funding to the such State activities as set-aside within Title I of NCLB; increasing funding for the Teacher Incentive Fund and tying its receipt to the use of other Federal dollars (especially Title II dollars) for similar reforms to how teachers are evaluated and compensated; and expanding TEACH grants to cover up to $25,000 in tuition, which is similar to the campaign's Service Scholarship program.

Additionally, the recovery package will target resources where they are needed most to improve schools. The plan increases funding by $1 billion for, and revising, School Improvement Grants by: 1) targeting funds to serve the lowest performing schools (schools in restructuring and corrective action); 2) allowing the Department of Education and States to use funds to establish effective school support teams, implement school improvement audits, and share best practices; 3) establishing partnerships between effective and low-performing schools and technical assistance providers, as needed; and 4) requiring participating schools to implement data use best practices (provide funds through data systems grants if necessary). Also, provide $1 billion for the base Title I program to fund schools low-income schools impacted by the economic downturn.

The package also provides for (1) an increase in IDEA funding by increasing the federal share of the excess costs of educating 6.8 million students with disabilities by $1.8 billion and (2) an investment in early childhood by increasing funding by $2 billion in additional child care assistant for low-income working families, doubling Early Head Start, and increasing funding for IDEA infants and toddlers by 70 percent.

### III. Get More Americans Enrolled in College and Job Training Programs

The plan sets forth measures to assist more Americans enroll in college and job training programs during this economic downturn. The plan will help ensure that every academically qualified student can realize the potential of a postsecondary education.

Specifically, the proposal increases the maximum award for Pell Grants to encourage low-income individuals to use this period of economic downturn to upgrade their skills or obtain a postsecondary credential. The plan pays off the estimated $8.3 billion shortfall resulting from the increased numbers of students receiving Pell Grants, and invests an additional $5.3 billion to increase the maximum award by $500, from $4,731 to $5,231, in the upcoming academic year to help speed up the Pell Grant increase in future years that was passed by Congress this past year.

Finally, as a complement to the Pell increase, which will fund training for those who do not yet have college degrees, the plan makes targeted investments in training programs to serve vulnerable populations that will be most affected during this economic downturn. Specifically, the plan includes:

- a Vocational Rehabilitation program, which provides $500 million in one-time additional funding for Vocational Rehabilitation (VR) State Grants and the American Indian VR program, to provide job training to individuals with disabilities;
• Dislocated Worker Formula Grants, which provides a one-time $500 million increase for Dislocated Worker formula grants, funding training, job search, and placement assistance for individuals who have lost their jobs;

• YouthBuild proposal, which provides an additional $40 millions for low-income youth with opportunities to obtain education, employment skills, and on-the-job work experience in the construction of affordable housing;

• Youth Formula Grants, which provides a one-time $500 million increase for WIA Youth Formula grants, which fund education and training services for low-income, at-risk youth aged 14-21 who also face barriers to employment; and

• Green Jobs proposal, which funds two competitive grant programs authorized in the Green Jobs Act of 2007.
V. OVERVIEW OF STIMULUS PROPOSALS TO PROTECT THOSE HARDEST HIT BY THE RECESSION

While all Americans are struggling with the difficult economic climate, low-income families and the unemployed are being particularly hard hit. The proposed plan delivers $58 billion in immediate relief now and also strengthens the automatic-stabilizer safety net for the future.

- **Assistance for the unemployed.** This plan extends the Emergency Unemployment Compensation (EUC) program through December 2009 ($24 billion). It would also temporarily increase the weekly UI benefit payment by $25 ($5.3 billion), and provide a temporary increase in UI administrative funding to help states make prompt benefit payments while dealing with substantially higher workloads ($0.2 billion).

- **Modernize the UI system.** This proposal would provide $7 billion in financial incentives for states that modernize their UI systems to expand coverage. In addition, the plan would reform the triggers for the permanent extended benefit program to make the system more responsive to future economic downturns.

- **Temporarily increase SNAP benefits (Food Stamps).** The proposal provides for a 10 percent increase in monthly SNAP benefits. Households would receive an average of $34 increase in monthly benefits in the first year ($7 billion). The proposal phases out after 24 months by suspending price indexing of benefits for two years. It would also provide a one-time SNAP “bonus” payment in March equal to a household’s monthly allotment ($4.2 billion), temporarily modify the SNAP participation time limit for childless adults to 6 months out of every 12, and provide a temporary increase in SNAP administrative funding to prevent enrollment delays in light of rapidly rising caseloads.

- **Increase spending on other nutritional programs.** The plan will provide $500 million in contingency funds for WIC to deal with projected shortfalls in FY09 and FY10. Additional funds could also be provided for food banks (TEFAP) and for state food authorities to procure new equipment to replace old and worn out equipment, thereby enabling them to serve more nutritious meals, but there are concerns that states do not have the capacity to spend this money quickly and effectively.

- **Replenish the TANF Contingency Fund.** Because of rising unemployment and food stamp caseloads, the contingency fund will likely run out in FY09 and states may not be able to provide all of their needy families with cash assistance or other critical work supports needed during a recession. This proposal provides $4 billion to ensure that states can continue to meet these needs, but up to $5.4 billion could be provided to replenish the entire shortfall.

- **Additional cash assistance to Supplemental Security Income (SSI) recipients.** This proposal would provide $450 per recipient in additional cash assistance to the 7.5 million blind, disabled, and aged SSI recipients for a total cost of $3.4 billion.
• **Program Performance and Integrity.** The proposal provides funds to make sure the
government can determine eligibility accurately and pay benefits promptly. This proposal
provides $400 million to build SSA's New National Computing Center in time for it to be
in operation by 2012 – when the current center will no longer be able to meet capacity.
This proposal would also provide administrative funding for SSA to hire additional staff,
including ALJs, to reduce disability insurance claims-processing backlogs. The plan
would create a new federal-state partnership for program integrity to incentivize states to
modernize administrative processes for state-administered means-tested programs in
order to (1) reduce error and improve accuracy of eligibility determinations and payments;
and (2) improve and simplify the delivery of services.

• **Bolster child support enforcement activities.** In 2006, the federal government cut support
for state child support enforcement efforts by 20 percent. As a result, an estimated $1
billion in child support funds goes uncollected each year. This proposal would enact a 2-
year moratorium on the 2006 federal funding cut ($1.1 billion over 2 years) to help
ensure that mothers and children receive funds to assist their daily needs.
VI. ADDITIONAL STIMULUS OPTIONS UNDER CONSIDERATION

In addition to developing strong proposals in our key focus areas – energy, infrastructure, health, education and direct relief to families – we have also been working with a number of transition policy advisors to examine the potential for stimulus proposals in other subject areas. This section contains information about the options we are currently analyzing.

**Providing Immediate Support to Law Enforcement.** We have been working closely with the Vice President-Elect’s staff to develop options to support local law enforcement agencies across the country. The largest challenge we face is structuring a proposal that does not require significant amount of funding in the out years. For example, while there is a desire to immediately hire more police officers through the COPS program, this would require a long-term funding increase rather than just ramping up funding for one or two years that expires in years 3 or 4. We are working to determine if there are short-term projects (implementing new computer systems, developing new crime prevention strategies, etc) that we could include in the stimulus package to avoid this issue.

**Creating an Interoperable Communications Network for First Responders.** The existing federal effort to build a national interoperable communications network for first responders across the country has stalled, and the transition technology team is working with a number of other policy groups to determine short-term proposals to jumpstart the construction of this network. In addition to bolstering our preparedness for natural disasters or terrorist attacks, building this network would also help bring broadband access to underserved areas across the nation. Complications potentially include new regulatory schemes and gaining buy-in of local law enforcement agencies to move from the existing federal effort.

**Increasing the Availability of Short-term Research Funds.** Given the high rejection rates of federal scientific institutions for high-quality grant applicants, there exists a strong demand for additional funding for scientific research to strengthen our international competitiveness. There are several short-term grant programs that could be phased up for one or two years, and then potentially reduced in later years but the optics of reducing science funding poses complications. We are working with the innovation policy group to explore additional options, including short-term investments to upgrade our federal and academic research institutions.

**Supporting Our Nation’s Nonprofit Institutions.** Nonprofit service organizations across the country are considering job layoffs and reducing services in response to declining revenue streams, just as demand for their services is increasing. We are working with public service leaders to determine the best mechanism to provide support to these critical institutions, while also catalyzing the reforms in the nonprofit sector that you proposed on the campaign trail. Limitations to including this set of proposals in the stimulus package include no existing federal program to distribute funds to a wide group of nonprofits, a potentially long start-up time for a Social Investment Fund, and accountability concerns.

**Bolstering International Assistance.** There are several proposals to include an international component to the stimulus plan, including some ideas that would include spending federal funds in the United States such as renovations of the UN buildings in New York. We are working to
identify ideas that will help directly stimulate the U.S. economy, while also helping address campaign foreign policy commitments.
BIBLIOGRAPHY


Georgia Department of Labor, Workforce Information and Analysis, October 2009.

Goldman, David. “Great Depression vs. 'Great Recession': Comparisons between this economic recession and the Great Depression are common, but the granddaddy of all downturns was far worse,” CNNMoney.com, <http://money.cnn.com/news/storysupplement/economy/recession_depression/>, Accessed October 31, 2010).


_____. “Barack Obama’s Plan to Stimulate the Economy,” Obama’ 08.
http://obama.3cdn.net/8335008b3be0e6391e_foi8mve29.pdf.


U.S. Census Bureau, 2006 – 2008 American Community Survey, Atlanta City, GA.


