

## Measuring effectiveness of federal stimulus isn't easy

### Latest national reports suggest recovery is faltering

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How one views the impact of federal stimulus spending in states like New Hampshire and Maine may depend on political perspective.

In late May, the New Hampshire Republican Party criticized the \$787 billion American Recovery and Reinvestment Act, which was signed into law by President Obama in February 2009, as "failed" and a "boondoggle" while accusing the administration of playing fast and loose with job creation numbers.

"This report confirms that the 'stimulus' has failed, and the Obama administration is misleading the public with phony job estimates," said NHGOP Communications Director Ryan Williams.

On the other hand, Maine's Democratic Gov. John Baldacci says ARRA brought his state back from the economic brink. "The recession has been the deepest since the Great Depression, and without the federal Recovery Act, Maine and the rest of the country could have easily slipped into a depression," Baldacci said.

As New Hampshire, Maine and the federal government prepare to release the latest reports about ARRA job creation and spending, it's easy to figure out how much has been spent, where it has been spent and who received funding — from the town of York, Maine (\$572,183), to Exeter Region Cooperative School District (\$645,939) to Families First Health and Support Center in Portsmouth (\$496,132).

The Web site [recovery.gov](http://recovery.gov) offers a comprehensive tally of every dollar spent in every state and the recipients.

More difficult is quantifying ARRA's impact on state economies. Christopher Clement, director of the new Hampshire Office of Economic Stimulus, said ARRA funding "has created or saved 5,428 jobs," which, as state Republicans point out, is far less than the 16,000 jobs estimated for the state by the Obama administration when ARRA passed — or even the 12,000 estimated by the White House at this point.

The official and estimated job creation differences are a matter of calculation — with the White House accounting method including overall direct and indirect impact of ARRA spending while at the state level it's a report on actual jobs created by ARRA funding. According to [Recovery.gov](http://Recovery.gov) web, the states have reported more than 1.9 million jobs created — in 2009, the administration estimated 3.5 million jobs would be created or saved.

Clement said when he issues his next recovery report on Aug. 11 "we will see a dramatic increase" in jobs created and/or saved. Nationally, that is not expected to be the case. According to an Associated Press report Friday, several economic indicators showed the recovery is losing so much momentum employers are unlikely to increase hiring this year.

"We're headed into the third quarter with little momentum, and most everything is tracking weaker," said Mark Zandi, chief economist at Moody's Analytics. "Because of that, I expect unemployment to rise back to double digits, hitting 10 percent in December and staying there early next year."

When asked about the effectiveness of ARRA in New Hampshire, Clement said "it's a big deal" for those who have been directly impacted — such as an unemployed worker who got a job with a paving company for ARRA-funded road and highway projects, or the elderly low-income resident who got \$16,000 in grants for a home weatherization that has already helped her cut energy costs. "It's made a difference in their lives," he said.

Dennis Delay, an economist with the nonpartisan New Hampshire Center for Public Policy Studies, gives ARRA a grade of "a solid B." Outside of middle-class tax cuts, which represented one-third of total stimulus outlays, ARRA pumped around \$800 million into the state economy since March 2009 into almost every private and public sector arena — from road construction to education and housing tax credits, to local health clinics and health care software modernization, to alternative energy development and extending broadband in rural areas, to increasing weekly unemployment check amounts and more access with reduced fees for small business loans.

"The best metaphor I use is that it was a cushion not a stimulus. It cushioned the blow of the recession to state and local governments," said Delay, who is also New Hampshire forecast manager with the New England Economic Partnership. "Without the stimulus, there would obviously have been fewer jobs for road construction, more layoffs in K-12 education and other initiatives such as broadband, which are important infrastructure investments would not have gone forward."

Delay said job creation estimates "were probably overstated" and it's uncertain how much stimulus impact the tax cuts have had, but he believes ARRA "in fact did have an impact. There would have been more people out of work and there would have been greater economic harm to the state."

"We would have had to make even more difficult choices," said Colin Manning, a spokesperson for Gov. John Lynch, about ARRA's impact on the state. "It was important to national public policy and particularly here in New Hampshire."

He said many teachers, police officers and firefighters had their jobs saved because of money distributed to towns and cities to support them as tax revenues declined. "Unlike many other states, we did not cut local school aid funding and ended up sending \$123 million in grants to local communities," he said.

Manning wouldn't directly connect the state's falling unemployment rate (5.9 percent in June, 40 percent below the national average) to ARRA, but he said the range of infrastructure projects the state was able to do quicker with ARRA funding will have a positive long-term impact.

"We have \$25 million for weatherization projects that will save money down the road and \$750,000 for the Green Launching Pad to help five new companies in alternative energy development," he said.

The Commerce Department on Friday released its second quarter GDP report showing the economy grew by 2.4 percent, down from 3.7 percent in the first quarter. The weak recovery would likely have been weaker, or nonexistent, if not for ARRA's macro impact on the national economy, said one University of New Hampshire expert on the regional economy.

"It's understandable that people look at (ARRA) details and scrutinize the details but it's important to see the bigger perspective," said Ross Gittell, a professor at the Whittemore School of Business and Economics. "It's easy to forget that 18 months ago our national economy was at risk of a prolonged decline or depression. It has stabilized and improved."

What that meant to New Hampshire, which has strong fundamentals, he said, is that it was able to stabilize faster and is better positioned to recover.

"The recovery is faster in some respects and once things stabilized, people expected things to return to normal, but healthy growth is not going to happen as long as the national economy is weak," he said.

"Maine is operating now at roughly the same spending level that it was in 2001, almost 10 years ago," said Gov. Baldacci, whose state received and sent out almost \$800 million. "In the last 12 months, revenues for the state have declined by more than \$1 billion. The Recovery Act is a vital bridge to ensure that Maine can maintain core government services until the economy recovers."

But the bridge will end in the next year as the last ARRA funds are distributed and the economic policy question of what happens next has yet to be answered. As there seems to be little political will for another significant stimulus, Delay said, it's time "for private investment to step up."