# Economic impact of american recovery and reinvestment act

“ Government’s view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.” –Ronald Reagan (Powell). Change is good to the point where it allows us to grow in the economy as a nation united as one. Over the years the economy has been growing due to smart choices and change in past policies. Interest rates have gone down, needless regulations have been squashed, and the economy was set on a growth path that has created millions of jobs in a short time span. President Obama targeted major concerns in the economy and in 2009 created theAmerican Recovery and Reinvestment Act(ARRA) to resolve those issues. For instance some of the main focuses of this act was to preserve and create jobs and promote economic recovery as well as to assist those most impacted by the recession, invest in transportation, environmental protection, and other infrastructure that would provide long-term economic benefits, stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases (Wikipedia). There were definite successes and drawbacks that would come out of this policy. During the time “ shovel-ready” projects were highly praised due to their short and immediate success, the ARRA used the all controversial “ Buy American” provision which required the use of domestic goods and services. In an article written about the ARRA Obama has this to say about the “ shovel-ready” project, “ The problem is that spending it out takes a long time, because there’s really nothing – there’s no such thing as shovel-ready projects,”.

When it comes toeconomic stimulus, local governments may take years to begin actual construction even once they receive funding. The reason why such a small portion of the American Recovery and Reinvestment Act of 2009 ended up spent on infrastructure is that the projects are simply too slow to get off the ground to provide meaningful near-term stimulus. While the 2009 stimulus package may not have fixed the nation’s infrastructure, it certainly did its intended job of getting the economy back on track (Duggan).

The American Law on Restoration and Reinvestment Act of 2009 (ARRA) nicknamed the “ Restoration Law”, became a stimulus package passed by the 111th US Congress and signed by President Barack Obama in February 2009 . This was his answer to the Great Recession, the main task of ARRA was to save existing jobs as soon as possible and create new ones. Other goals were to provide momentary assistance programs for those most affected by the recession and invest in infrastructure, renewable energy, health, and education. This day did not mark the end of our economic troubles nor eliminate everything that must be done to turn the economy around, however it did set the beginning for the end. The start to create new jobs for Americans, offer relief to those struggling to pay their rent, and to give our economy a strong foundation, setting a way for long-term growth and success.  The importance of this recovery plan is not only that it will create or save 3½ million jobs over the next two years but that we force the Americans to work on what America should do in critical areas that have been ignored for too long, which will carry real and lasting changes for future generations. Since we know that we cannot build our economic future in transport and information systems of the past, we are recycling the

American landscape with the largest new investments in the infrastructure of our country, as Eisenhower built a system of interstate highways in the 1950s. Because of this investment, almost 400, 000 men and women will go to work to restore our disintegrating roads and bridges, repair our erroneous dams, provide serious broadband networks to businesses and homes in nearly every community in America, modernize mass transit and construction, high-speed rail networks that will create headway for travel and commerce across the country. We know that America cannot compete tomorrow with the world, if our children do not get education today, the greatest investments in education in the history of our country are being made for the future of this country. These are investments that will build jobs for the 21st century classes, libraries and laboratories for millions of children across America. It will provide funds for the training of a new generation of mathematicians and science teachers, assisting states and school districts to prevent teachers from being fired and curtailing educational programs.

Assistance to working families will not only drivemillions of families out of poverty; this is also one of the most economicalways to increase the economy and create jobs. As a result, it will strengthenand increase the middle class.

Tax cuts and transfer payments tofamilies only generate economic activity if they are spent rather than saved. Low-income families are most likely to spend the additional income, andpolicies aimed at low-income households therefore tend to do more for theeconomy. One dollar for low-income people —including unemployment insurance, nutrition assistance, and refundable tax credits—adds between $0. 80 and $2. 20to the economy, according to the Congressional Budget Office. A dollar of taxcuts for high-income households adds only between $0. 10 and $0. 50 cents(Kvall).

Legislation on the recovery of collection makes investmentsthat will create jobs at present-day and will contribute to economicopportunities in the coming years. Historical investments in renewable energyand energy efficiency include both House and Senate bills, which will instantly create " green jobs" andwill continue to maintain sustainable and affordable energy for years to come. They would include almost 50 billion dollars for public transport, publichousing, and roads. Both would allow a new wave of venture in schools andcolleges that would reinforce education and encourage future growth.

When the project was just in the first steps of being an idea in someone's mind, Obama had stated that it was planned to be a " shovel-ready" project. However by the time it was all said and done only about one-tenth of the Recovery Act was devoted to the infrastructure. The American Recovery and Reinvestment Act kept projects from putting people to work for having to use U. S. made products. According to Grabell (as cited in Simonson, 2012) " By the time officials and contractors had jumped through all the required hoops, it was already late in the construction season, and many projects would have to wait until 2010. It appeared that what ' shovel-ready' really meant was for politicians to pose with a shovel for a photo op" (Grabell, as cited in Simonson 2012). The practicality of the " shovel-ready" often contradicted the motivated goal of restoring the national infrastructure. To quickly get money out, numerous states have chosen short-term pavement projects, rather than focusing on their critical needs at hand. The ARRA botched its promise not because in retrospect it was small or because Keynesian economics is outdated, but because it was poorly planned. ARRA demonstrates a significant struggle in using fiscal policy to stabilize economic activity. It passed a year after the recession started. In 2009, only about 20% of the expenses stipulated by the legislation took place, growing to about two-thirds in mid-2010. There was only an assumption in which condition the country’s economy would be. As it turns out, the recession had come to an end, but there was still a big downturn in the economy, and unemployment continued to cause serious concern. President Obama argued that his applications to combat the economy in the short term, coincidentally, would also contribute to a long-term economic success. Some critics have said they are paying more attention to actual tax cuts, while others are concerned about whether spending will focus on maximizing employment or will be driven by political considerations (Principles of Macroeconomics, Chapter 12).

The most dominant factor in preparing fiscal year 2011 budgets is the upcoming end of enhanced federal Medicaid matching funds provided to states by the American Recovery and Reinvestment Act (ARRA) of 2009. These funds, which will total an estimated $87 billion over a nine-quarter period ending in December 2010, have been critical in helping states maintain coverage. Medicaid directors in the Kaiser survey believed that the temporary ARRA enhancement of matching funds should be extended and followed by a phase-down period, to avoid an abrupt and major reduction in federal funding (Psychiatric Services, pg. 425).  Three spending categories were included in the ARRA those include, $288 billion for cutting taxes, $224 billion spent in extending benefits for the unemployed, focus on education as well as health care. More jobs have been created by allotting $275 billion in federal loans, contracts, and grants. Congress designed the Act to spend 91. 5%, or $720 billion in the first three fiscal years. It allocated $185 billion in2009fiscal year, $400 billion in 2010 fiscal year and $135 billion in 2011 fiscal year. This plan worked out better than the Obama Administration has predicted. By the end of 2009, $241. 9 billion and a portion of it, $92. 8 billion was spent towards tax relief, unemployment and other benefits had $86. 5 billion, and job grants had $62. 6 billion. In the 2012 fiscal year budget Congress distributed extra funding to raise the total amount to $840 billion. Towards December 2013, $816. 3 billion was spent in total by the administration, $290. 7 billion of that went towards tax relief, $264. 4 billion in unemployment and benefits, and $261. 2 billion in loans, grants, and contracts.

Many critics pointed out that Obama's stimuluspackage did not succeed because the economy contracted 2. 8 percent in2009. The Congressional Budget Office projected ARRA wouldstimulate GDP growth by 1. 4 percent to 3. 8 percent that year. Thatmeant growth in gross domestic product would be 1. 4 percent to 3. 8percent better than if Congress did nothing. In fact, the CBO projectedthe economy would contract 3 percent for 2009. That's because it hadalready contracted 5. 4 percent the first quarter, and 0. 5 percent in thesecond. The Dow had fallen to 6, 594. 44 on March 5, 2009. By Q4 2009, GDP was up 3. 9 percent, and the Dow had risen to 10, 428. By2010, the economy *expanded* 2. 5 percent. The economicstimulus bill was supposed to save 900, 000-2. 3 million jobs. As of October 30, 2009, it saved 640, 329 jobs. Not all of that success was thanks to the StimulusPackage.  Expansive monetary policy and activeemerging markets boosted global growth. But by March2009, monetary policy had done all it could. It was evidentmore fiscal policy was needed. No doubt, the economic stimuluspackage inspired the confidence needed to turn the economy around (Amadeo2017).

Overall the American Recovery and ReinvestmentAct of 2009 that had been passed by President Barack Obama had poor feedback interms of its success. However numbers do prove that in the end, even though theeconomy was not one hundred percent fixed, it did in fact end the recession andopened doors for future policies to gain way to a better tomorrow.

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