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Focusing on the Right Target Food Stamps, Jobless Insurance, State Fiscal Relief Best Approaches

MOUNT VERNON, Iowa (Jan. 29, 2008) — Congress should focus on the right target for an effective economic stimulus package, an Iowa Policy Project analyst noted Tuesday.

“Doing something in the name of ‘stimulus’ doesn’t solve anything if it doesn’t provoke an immediate response in the economy,” said David Osterberg, executive director of the nonpartisan Iowa Policy Project (IPP).

“As many economists have noted over the past several days, true short-term stimulus needs to be temporary, timely and targeted,” he said. “Those are the three ‘Ts’ that are most important here. It needs to address a short-term situation, so it’s temporary. It needs to happen quickly, so it’s timely. And it has to reach low-income people who will make it work, so it’s targeted.”

Osterberg said it would be important to assure aid to state and local governments, which face more intense demand for services from financially strapped families in an economic downturn. Iowa already has a \$350 million projected shortfall.

Aid to states could include a temporary increase in the federal Medicaid matching rate, to allow Iowa and other states to maintain health-care access to low-income people instead of being faced with cuts.

“The very last thing we should want to see is the state making big cuts in health care, or education, or other essential services during an economic downturn. That’s when people most need the help states provide,” Osterberg said.

Other sensible answers to meet the “three Ts” remains a temporary expansion of Food Stamps and unemployment insurance, Osterberg said.

“Including tax rebates may be some help to lower- and moderate-income folks, but if they’re not getting checks until May or later, that’s pretty slow, and if the benefit is not held to those who will actually go out and spend the money, it is a poor stimulus tool. Any rebate plan should adhere to the three ‘Ts,’” he said. “Any rebate plan must reach low-income people do be effective.”

Reportedly there is interest among some in raising the so-called income “cap” on who would get tax rebates under the House plan.

“Giving rebates to people who make above \$75,000 would be a mistake if your goal is simply economic stimulus,” Osterberg said.

The Iowa Policy Project is a nonpartisan, nonprofit research and policy analysis organization based in Mount Vernon. IPP reports on budget and tax issues, economic opportunity trends, and energy and environmental policy are available at <http://www.iowapolicyproject.org>.