

Stimulus efforts not enough to halt economic decline

by Marc_H._Morial

The news is in.

In 2007, 1.3 million U.S. households faced some stage of foreclosure. That's an increase of 79 percent from the 2006, according to RealtyTrac, an Irvine, Calif.-based company that tracks foreclosures nationwide.

This startling statistic coupled with declines in housing starts and sales explains to some extent why our nation's leaders want to as soon as possible stem the tide of economic decline in which the subprime mortgage debacle has no doubt played a role.

It should come as no surprise that, in light of topsy-turvy markets and skittish investors, the powers that be would spring to action in the midst of a competitive election year. Just what they ultimately agree upon will determine just how stimulating their efforts will be.

In mid-January, U.S. House leaders and President George W. Bush struck an unlikely alliance in the name of stimulating the faltering economy. They must have realized that a tightening pocketbook and unemployment do little to quiet the restless and vote-happy American ranks.

Remember the 1992 presidential election when economics became a big issue, thanks in part to Reform Party candidate H. Ross Perot's crusade for a balanced federal budget? The billionaire's campaign helped give Bill Clinton an electoral edge over Bush's father, then-incumbent President George Herbert Walker Bush?

Together, House Speaker Nancy Pelosi, D-Calif., with the current President Bush and Minority Leader John Boehner, R-Ohio, arrived at a \$150-billion compromise that provides tax rebates of \$300 and more to moderate- and low-income households, among other things. Much to the National Urban League's approval, they also included a provision raising limits on Federal Housing Administration-backed home loans designed to help ease the credit crunch and to give homeowners a greater opportunity to refinance debilitating adjustable-rate mortgages.

There's no doubt that every little bit helps, especially in lean times, when a few hundred dollars can ease the strain of living paycheck to paycheck like so many blacks do. But, in crafting their stimulus package, our nation's leaders ignored tried-and-true strategies used in past recessions with much bigger bang for the buck than what the House passed in January.

A few hundred dollars isn't likely to give an unemployed American the kind of boost that an extra six months to find a new job would. Similarly, an extra \$300 per child is not likely to improve a household's bottom line as much as a summer job. To affect long-term positive change, our leaders need to invest in long-term strategies that teach its citizens how to fish - not to throw them a minnow, usually in an election year.

The Urban League movement, however, would prefer a more comprehensive effort that incorporates an extension of unemployment benefits, increased food stamps and greater investment in summer jobs for at-risk youth. According to a recent analysis by Moody.com's Chief Economist Mark Zandi, extending unemployment insurance and increasing food stamp payments would generate \$1.64 and \$1.73 per \$1 investment, respectively. That compares to \$1.26 per \$1 cost of the House-proposed tax rebates.

With long-term unemployment up by 200,000 in 2007, an extension of unemployment insurance coupled with increased food stamps should be the first things put on the table. In the House, they aren't but in the Senate they are. Even in prosperous times, blacks experience twice the rate of unemployment of whites. Just imagine how bad it is when the economy tanks. Increased food stamps not only help the unemployed, they help the underemployed as well as part-timers.

More than one-third of black teens were unemployed in December 2007, more than twice the rate of white teens. Summer jobs help connect all teens to the working world, giving them desperately-needed skills and putting them on the road to economic self-sufficiency.

It's wonderful that our nation's leaders want to show their love to their constituents in an election year. But will they still love us after Election Day? That is the real question here. Is it worth digging our nation further into debt for a short-term, feel-good gain? Is it worth putting our future in jeopardy by investing in initiatives that fail to achieve the best result?

I would be remiss if I didn't applaud our leaders for putting aside partisan politics to further efforts to help fiscally struggling Americans. This rare show of bipartisan cooperation gives me hope that comprehensive and effective stimulus legislation will eventually see the light of day.

It is the NUL's ultimate hope that final legislation will look more like what the U.S. Senate is considering - one that includes an extension of unemployment benefits as well as increased food stamps - but also includes funds for summer jobs. Leaders should also use their stimulus package as a springboard for subsequent efforts to make our nation's economy work for all Americans of all tax brackets.

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