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Specifics of Stimulus Take Shape

Democratic Leaders Resist Growing Push for a Package Larger Than \$500 Billion

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WASHINGTON -- Democrats are working to nail down the specifics of an economic-stimulus package of tax breaks and public spending, with some lawmakers and economists calling for even more spending than the \$500 billion that congressional leaders have been discussing.

Aides to congressional leaders cautioned that the \$500 billion figure mentioned in recent days could be the final size of the package. Discussions on the matter between President-elect Barack Obama's team and congressional Democrats remain fluid.

Mr. Obama has promised that when it comes to allocating billions of dollars for roads, school improvements and other infrastructure efforts, "we won't do it the old Washington way." But powerful interest groups and members of Congress who prefer the formulas that govern such things as highway spending could present obstacles to any effort by Mr. Obama to make significant changes.



House Transportation and Infrastructure Chairman James Oberstar pointed Monday to a proposal in his notebook that would allocate some \$45 billion of infrastructure spending based on current formulas. "Formulas work," Mr. Oberstar said. But Mr. Oberstar, echoing comments by Mr. Obama, said the government will track how many jobs are created by each project, and that earmarks won't be allowed.

Mr. Obama's team and Democratic leaders are beginning to discuss the size of individual parts of the plan. For example, some are suggesting \$50 billion to help states with Medicaid payments under the Federal Medical Assistance Percentages program. Another \$8 billion to \$10 billion is being discussed for school repair and

modernization. But these numbers, too, remain fluid.

The momentum may be on the side of greater spending. On Tuesday, House Democrats held a closed-door forum and heard from a range of economists, all of whom emphasized the bleakness of the economy and the need for a stimulus of historic size, according to those who attended.

One of the economists, Mark Zandi, suggested the package should be \$600 billion or more. Another, James K. Galbraith, said the current discussions have been assuming this recession is about the size of the one in 1982; but since it may be worse, the recovery plan may have to be bigger.

Paul Volcker, former chairman of the Federal Reserve, delivered the keynote talk. "I told them we have a serious problem, we've got to attack it, we have to get out in front of it, and we have to come back stronger and better," Mr. Volcker said afterward.

Robert D. Reischauer, former director of the Congressional Budget Office, handed out a diagram of a brain labeled "homo pecunia." It outlined the warring impulses in lawmakers' heads: on the one side, fiscal restraint; on the other, the need to spend more and cut taxes.

"That pretty much reflects the feeling of Congress," said Rep. Diana DeGette (D., Colo.). "The idea is to do triage now, and bring the budget into balance later."

Ms. DeGette said the discussions suggest that the recovery plan, when tax rebates are included, could approach the \$700 billion size of the recently enacted Troubled Asset Relief Program crafted to help stabilize financial institutions. Other lawmakers spoke of a \$600 billion to \$650 billion program. "They're trying to figure out what would work and how much that would cost, versus coming up with a price tag first," she said.

Some Democrats emerged from Tuesday's session motivated to push a large package. "There are few people here who remember the Great Depression," said Rep. Sander Levin (D., Mich.). "But it's clear this is the worst crisis since then, by a lot. This is really, really a major challenge."



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The infrastructure piece of the package will likely be the biggest piece and perhaps present the trickiest political challenges.

When it comes to transportation spending, for example, Mr. Obama confronts an entrenched status quo that favors highway spending over other modes of transportation. The federal government collects revenue from gasoline taxes and redistributes it to states according to a formula that typically provides four times as much money for highways as for mass transit.

States generally get to choose which projects to fund, though lawmakers sometimes earmark money for a favored project. The criteria for which project gets funded vary widely, and critics say the process is often grounded more in politics than any rational analysis designed to reduce congestion, improve safety or curb greenhouse-gas emissions.

In the Senate on Monday, Sen. Barbara Boxer, who heads the Environment and Public Works Committee, said the most important thing was getting money flowing quickly, even if it means simplifying or consolidating environmental reviews.

"They're going to look at streamlining," Ms. Boxer said. "Jobs, jobs, jobs is the name of the game."

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