ECONOMIC POLICY INSTITUTE
1333 H STREET, NW • SUITE 300, EAST TOWER • WASHINGTON, DC 20005
PHONE: 202.775.8810 • FAX: 202.775.0819

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CONTACT
Karen Conner
or
Eve Turow
202-775-8810
news@epi.org

True cost of jobs bill far lower than price tag implies, says EPI report

Members of Congress have often raised concerns about budget deficits to block aggressive job creation legislation. These concerns are entirely misplaced for a number of reasons, including the fact that the prime contributor to today's large deficits is the weak economy. Making matters worse, lawmakers tend to use incomplete accounting when debating the deficit impacts of job creation legislation, as a new Economic Policy Institute memorandum explains.

The memorandum shows how the $75 billion price tag of a major job creation bill, the Local Jobs for America Act (LJAA, H.R. 4812), introduced by Rep. George Miller, greatly overstates the legislation's actual effect on the budget deficit. Because the LJAA would preserve and create jobs in local communities around the country, including jobs for teachers and public safety personnel that are slated to be cut due to budget constraints, it would lead to higher income and payroll tax receipts as well as reductions in spending for safety net programs like unemployment insurance. These effects would offset an estimated $39 billion of the bill's $75 billion in outlays.

Using the LJAA as an example, the memo illustrates how, so long as there is high unemployment, legislation that boosts job growth will be partially self-financing and will have net impacts on the federal budget deficit that are quite a bit lower than the headline price tag.