

Will The Stimulus Kick-Start A New Economy?

While the loudest fireworks in the stimulus debate have come from Republicans on Capitol Hill, another telling, albeit quieter, argument is creating fissures among Democrats and some conservatives. It is not, necessarily, a disagreement over the size of the economic recovery package, but rather whether the legislation has the right kind of underpinning philosophy.

The logic is simple: if the economic structure of the past eight years has failed the country, why spend nearly a trillion dollars to repair it instead of reworking the structure altogether?

"The most obvious problem with the stimulus package is that it has been turned into a fiscal piñata -- with a mad scramble for candy on the floor," [wrote Jeffrey Sachs](#), the Columbia University economist. "We seem all too eager to rectify a generation of a nation saving too little by saving even less -- this time through expanding government borrowing."

"It is time to start new banks; the old banks need to be completely restructured," the conservative Harvard professor Niall Ferguson [told the Huffington Post](#).

"It is definitely good stimulus," said Sen. Sheldon Whitehouse. "It is good economic recovery. But is it enough given the depths of the negative spiral we have turned into? I can't say this is enough. I can't say we won't have to do more."

Such skepticism underscores the dual demands facing the Obama White House and Democrats in Congress. While the need to stem unemployment is paramount in the near-term, there is general agreement that long-term growth is dependent on significant shifts in the economy. One doesn't necessarily lead to the other -- in fact, they can often work at cross-purposes.

Officials who played roles in constructing the stimulus acknowledge the difficulty of the situation they face but insist that the package, as it stands, threads the needle between short-term and long-term needs.

"We are trying to do both," said one senior Democrat on the Hill. "So appreciating that we need to create jobs fast, we put a lot of money into grants for states. It would be a terrible thing, if states were cutting their budget and laying people off at the same time the federal government was cutting taxes and spending money. It would hurt our efforts... A lot of people think we should have done more one way or another, but we had to find balance."

Other stimulus defenders, meanwhile, note that there will be future legislative vehicles on which the Obama administration can fundamentally restructure the nation's economy: additional TARP requests, the president's first few budgets, and energy legislation. Remarkably, the \$1 trillion the White House has requested within the first few weeks in office will be just the first bite at the apple.

"You can complain that you want the Obama administration to commit more to these areas than they have committed in the stimulus. But you can't argue that it is a problem in the stimulus," said Rob Shapiro, the deputy commerce secretary under Bill Clinton and an occasional adviser to the Obama economic team. "There are going to be Obama budgets. And that is where the [structuring of a new economy] can take place."

As for the idea that green industries could be the solution to these competing demands -- sectors primed for major job growth and long-term viability -- Shapiro, a green-tech advocate, cautioned against overstating the current market.

"The issue is not whether there is too little of this in the stimulus. There is at least as much as could be reasonably used in these areas. Right now there is not the same type of absorption for green tech investment as there is for infrastructure," he says. "The idea that the green tech people are complaining because not enough has been thrown at them is old-time politics. There is more money in this stimulus than they've ever received."

As it stands, there are obvious innovation-driven aspects to the stimulus package that could go a long way towards establishing new industries as well as jobs: money for scientific research, green job training and transition, funds for new-age car batteries, and investments in broadband construction. But not everyone is convinced that the commitment is geared correctly. And some worry that the money simply isn't enough.

"I support the stimulus package," green movement activist Van Jones, [told the Huffington Post](#). "But when I look at it in its entirety, I fear that we may soon look back and say that we missed a huge chance to go bigger and bolder. After all, there were three flaws with the old economy that has crashed: it favored consumption over production; debt over smart savings; and environmental damage over environmental renewal. Some parts of the stimulus package seem to be more of the same -- trying to prop up the old, failed economy. That strategy simply won't work -- but we could waste a lot of money and time trying. Instead, we need a new direction for our economy. You can't jump halfway across a chasm -- you just end up falling into the abyss."