

WHAT TO EXPECT FROM BARACK OBAMA'S STIMULUS PLAN



The first action of President-Elect Barack Obama's economic stimulus plan is probably going to be a large round of tax cuts. Economists are hoping that these tax cuts will lead into a rise in output.

Democratic leaders in Congress proposed on Thursday, an \$825 billion package to help reverse the current recession. The proposal is comprised of \$275 billion in tax cuts and \$550 in spending. The spending is likely to revolve around infrastructure; construction projects such as bridges and roads are some proposed ideas.

Economists say that Obama's team might be a little bit overly hopeful with the current estimate that their plan will impact the GDP by 2 percentage points in the first year. However, none of these plans have been finalized, as they are all subject to make their way through Congress, and lobbyists.

Construction projects, like the aforementioned bridges and roads take time to get started because of the lengthy process of bids, contract requirements, and environmental assessments. All of this, and still political approval must be met.

In a report issued last week, the Credit Suisse economists say that "tax cuts are a significant component" of the Democrats' plans. "[They] are a means to generate stimulus on a reasonably rapid basis."