

Calls Grow to Increase Stimulus Spending

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By DEBORAH SOLOMON

WASHINGTON -- Vice President Joe Biden said the Obama administration "misread how bad the economy was" and didn't foresee unemployment levels nearing double digits, in comments likely to intensify calls for the administration to do more to counter job losses.

Some economists are pressing the White House to enact a second round of stimulus spending or find some other way to avert a prolonged job and wage slump. But the White House is in a tough spot. Officials want to give the \$787 billion stimulus package passed in February time to work -- only 10% of the spending is out the door so far -- and there is little appetite in Congress, particularly among Republicans, for spending more money at a time of record deficits.



Joseph Biden

The gloomy job picture threatens any economic recovery. The unemployment rate hit 9.5% last month, figures released last week show, and many now expect it to stay high for a long time, eventually reaching double digits. At the same time, wage growth is slumping. People facing unemployment or wage cuts are less able or willing to spend the money needed to stimulate the economy.

Already, job losses are hindering recovery in the housing market as foreclosures among people with good credit who have been laid off compound the problems with risky mortgages that triggered the sector's implosion.

"They're in a bind because the recovery package is just starting to generate positive benefits but, to the extent we know something about the future, unemployment is too high and is going to stay high for a long period," said Lawrence Mishel, president of the Economic Policy Institute, a left-leaning Washington think tank. "When we hit 10% unemployment, which we will within months...even those who don't lose a job will be affected by the squeeze on wage growth, furloughs and the cutbacks in [retirement] plans," he said.

White House economists are discussing whether a second round of stimulus is needed, but a decision isn't expected until at least the fall. "We remain focused on putting thousands of Americans back to work" through implementation of the February stimulus act, an administration official said Sunday. "Any discussion of a second stimulus is premature at this point."

That timetable isn't fast enough for some economists, who say quick action is necessary to avoid a protracted period of joblessness.

"A second stimulus should be the one they should have done the first time, something that is relatively fast and thoughtful," said Phillip Swagel, a professor at Georgetown University's McDonough School of Business. Mr. Swagel, a former Treasury assistant secretary for economic policy under President George W. Bush, said a more-effective package could include more assistance to struggling state and local governments and personal tax cuts.

So far, though, politicians of both parties are showing little eagerness to tackle another stimulus bill. Republicans have attacked the current stimulus package as wasteful and ineffective, labeling it as government bloat at a time of record deficits. As the GOP seeks to reclaim the mantle of fiscal discipline, many are loath to support another round of government spending.

"This was supposed to be about jobs, jobs, and jobs. And the fact is, it turned into nothing more than spending, spending, and more spending on a lot of big government bureaucracy," House Minority Leader John Boehner of Ohio said on "Fox News Sunday."

Many Democrats, too, said they're disappointed with the recovery program so far but, for now at least, are resisting calls for a second package. "I don't think anybody can honestly say that we're satisfied with the results so far of the stimulus," House Majority Leader Steny Hoyer (D.,

Md.) said on "Fox News Sunday." But he said it was too soon to push for more. "We certainly want to see how this develops over the next few months."

Mr. Biden, in an interview with ABC News's "This Week," said the 9.5% jobless rate is "much too high" and acknowledged that the administration didn't anticipate the severity of the economic problems. "There was a misreading of just how bad an economy we inherited," he said in the interview, which aired Sunday. He and other White House officials say the administration relied on consensus economic figures in January when they were developing the stimulus package.

But he said it was premature to consider a second stimulus, saying the \$787 billion will be spent over a period of 18 months and would take time to work.

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