

# **A formula for stimulus with staying power**

**A leading technology investor argues that what the economy needs is a package with enormous scale and years of follow-through.**

By Glenn Hutchins, contributor  
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(Fortune) -- As we count down to Barack Obama's inauguration, it's clear there is an urgent need for a stimulus program of unprecedented proportion. Unlike our sluggish policy response to the financial crisis, we need to act boldly to stave off what otherwise threatens to be a brutal recession.

Clearly, the scale of the program must be enormous. Danger resides in doing too little rather than too much. Something on the order of \$750 billion or more, comprising 5% of GDP, will be required to have real impact on our beleaguered economy. Even when taken together with the Federal Reserve's monetary actions already coursing through the economy, stimulus on this scale will be essential.

The design of a stimulus plan should follow a handful of key principles.

For instance, it might seem obvious to stress that the stimulus money should actually be spent by those who receive it. However, it appears that only half of the last stimulus program was spent and that the balance was saved by frugal consumers. Learning from that experience, we need to direct stimulus spending to beneficiaries with what economists call a "high propensity to consume," which simply means they will spend the money.

To meet that goal, the stimulus program should target the neediest people who are both most vulnerable in these bad times and who are certain to spend what they receive. This component of the stimulus plan should include initiatives like extended unemployment benefits, increased food stamps, support of children's health care, and expanded assistance for state Medicaid budgets.

Another principle: while we need to act with urgency and choose many shovel-ready projects, we need to think long-term as well. We ought, as Coach John Wooden used to instruct his players, to "be quick but not hurry."

The stimulus bill of 2008 was intended to be spent in a single quarter in order to give the economy a mild, counter-cyclical jolt. This year's plan should be of considerably longer duration -- two or more years.

All economic indicators suggest that this recession is going to be nasty and brutish but not short. Combating it will require a phalanx of sustained programs. This means that we have the

opportunity -- and should take the time -- to invest thoughtfully in a range of longer-term, more durable assets.

The more enduring portion of the stimulus program affords us a once-in-a-lifetime chance to leave future generations with a highly productive, 21st-century infrastructure. Large portions of the spending will be directed to such traditional assets as roads, bridges, tunnels, ports and mass transit. That's appropriate.

The compelling opportunity, though, lies in creating an infrastructure for the future which is only partially physical.

We should, for instance, build out a nationwide broadband network that will substantially enhance our nation's competitiveness.

We should also focus, as Barack Obama stressed during his campaign, on green infrastructure by investing, for example, in wind and solar projects already underway.

Perhaps much more beneficial than physical infrastructure, however, would be meaningful investments in our nation's intellectual capital -- specifically in education and research. We should invest in teachers for our children and basic research for the future. We can direct portions of the stimulus spending to putting new, young teachers into our most troubled schools. And we can offer substantial support to research at our finest universities, where there is a mountainous backlog of peer-reviewed, cutting-edge research waiting to be funded.

The endowment of intellectual property that will flow from these investments will generate innovation far into the future, will help to return the U.S. to our leadership role in science and technology, and will spur economic growth for years to come.

Circumstance has thrust upon us a unique opportunity to invest in our children's and our country's posterity. Let's be sure to get it right.

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