

U.S. DEPARTMENT OF THE TREASURY

Press Center

**Secretary Henry M. Paulson, Jr. Remarks on the Economic Stimulus**

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Kansas City , Mo.-- Thank you; it is great to be back in Kansas City. I have just come from one of Treasury's bureaus here, the Financial Management Service Regional Financial Center, where they are printing the economic stimulus checks that will put money in the hands of American families and boost our economy this year. It's fitting that I see this economic stimulus become a reality in Kansas City, because my visit here last December was among the events that convinced me that we needed to boost the U.S. economy, and do it early so it could make a difference in 2008.

In December, I was at the Bruce Watkins Cultural Heritage Center and Museum for a town hall meeting. I met with and heard from many homeowners about mortgage and other housing difficulties. They also talked of their concerns about the broader economy in Kansas City and Missouri. During that week, I also spent time in Florida and California, where I heard similar concerns. And when I got back to Washington, I talked to people in a variety of industries; I asked them what their business was telling them about where the economy was headed. My travels, my discussions with industry leaders and a review of the economic data with the rest of the President's economic team convinced me in mid-December that the economy had taken a sharp turn for the worse and the risks were to the downside going forward.

The President recognized the downturn early, and took decisive action. At the beginning of January, President Bush told the nation we were considering an economic stimulus package. Congressional leaders also saw the weakening economy and the need for action. The President directed me to work with Congress to craft legislation that would put cash in the hands of American consumers and help American businesses invest and create jobs. And the President directed me to get this job done quickly, because we needed to bolster both consumer spending and business investment to protect the health of our economy.

And today, we are seeing that our action couldn't have been more timely. We didn't wait for the twenty-twenty hindsight of economic data to confirm a slow economy, we knew it was happening. And because we didn't wait, the bipartisan stimulus package the President and the Congress enacted is injecting dollars into the economy now, when it can make a real difference.

It was a pleasure to work in a bipartisan spirit with House and Senate leaders. Together, we crafted a stimulus package that is big enough to have an impact, easy to implement, provides targeted payments and is temporary. We acted quickly to support our economy and help create jobs this year.

The package includes stimulus payments to households, and tax incentives for businesses to invest and create jobs. For households, single filers generally will receive a minimum of \$300 and as much as \$600, and joint filers will generally receive at least \$600 and up to \$1,200. There is also an additional \$300 payment for each qualifying child. Total cash to households will be over \$100 billion.

In 2001 and 2003, tax relief payments to individuals and families stimulated the broader economy by increasing consumer spending. Evidence suggests that households spent one-third to two-thirds of their 2001 and 2003 payments, and the current stimulus package is almost three times as large as what was enacted in 2001 --- \$38 billion then, versus \$100 billion now.

For businesses, there is a temporary change to the tax code that will allow them to buy new equipment this year and deduct an additional 50 percent of that investment cost in 2008. In addition, the package expanded the current expensing limits for small businesses, allowing up to \$250,000 of qualifying purchases to be deducted for tax years beginning in 2008. Businesses will save approximately \$50 billion in near-term taxes and lower taxes will help create new jobs this year.

At \$150 billion – or around 1 percent of GDP --- these business and household measures are large enough to make a real difference as we weather the current economic slowdown and, by the end of this year, will lead to the creation of over 500,000 new jobs that would not have been created otherwise. And just as important, these initiatives are temporary – so as not to impact our long-term fiscal position. The cooperation between the Administration and the Congress demonstrated to the nation and to the world that we can come together to address the needs of the American people.

On February 13th the President signed the Economic Stimulus Act of 2008, the bipartisan bill that set this stimulus process in motion. Just 75 days later, on April 28th, the first electronic direct deposits were sent into Americans' bank accounts. Last week, the first week of payments, 7.7 million individual direct deposits averaging \$920 were sent, amounting to more than \$7 billion. And we are continuing this process every week, until about 44 million stimulus payments have been made through direct deposits.

This morning at the FMS center I saw employees printing checks non-stop on high speed printers. There are machines manufacturing envelopes and wrapping the envelopes around the checks. Checks are being sorted by zip code and loaded onto trays for pickup by the U.S. Postal Service. Today is the first day that economic stimulus checks are being mass produced --- more than two million checks are being printed at FMS centers across the country, and this is just the first big batch. During the rest of May, Kansas City will print 2.5 million checks a week. In June and July, once the regular tax filing season is finished, we expect Kansas City will send 3.75 million stimulus checks per week. FMS centers in Philadelphia, Austin and San Francisco are also preparing checks that will be, without a doubt, in the mail soon. In total, we will send an estimated 88 million stimulus payments as paper checks through the mail.

By the end of May, we will have pumped almost \$50 billion into the economy and another \$50 billion will follow --- by early July, about 130 million households will have almost \$100 billion of payments in-hand.

We expect that these payments will help right away --- help individuals, families and our economy. Giving people cash means they can decide how best to use it. Seniors, veterans, moms, dads and grandparents can each put their payments toward what is important to them --- whether it's gas for a summer vacation, clothes for back to school, or a trip to see the grandkids.

And these payments will provide a boost to the U.S. economy as we go through a difficult patch. Our economy had been growing for more than six straight years when growth started to slow last winter. And it has remained slow in the first part of 2008. Wages have risen, but so have the costs of food, gasoline, and health care.

In addition, after years of unsustainable home price appreciation, we are experiencing an inevitable and necessary housing correction. We are working to minimize the impact of the housing correction on the rest of the economy, but we do not want to impede its progress --- because the sooner the correction is completed, the sooner we will see home values stabilize, the sooner we will see more people buying homes, and the sooner housing will again contribute to economic growth.

The ongoing housing correction and volatility in the financial markets are causing many Americans to feel uncertain. That is understandable and reasonable, and it's also true that the long-term economic prospects of the United States remain solid. I never tire of repeating that we have the most resilient economy in the world --- because it is true --- and that we will emerge from this period as we have emerged from past periods of difficulty and move on to new heights.

These stimulus payments will reduce the impact of the downturn on households across the nation. I am pleased to be here and have seen the evidence that when we say the check will be in the mail, we mean it. Thank you.