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## The Stimulus Didn't Work

*The data show government transfers and rebates have not increased consumption at all.*

*By John F. Cogan, John B. Taylor and Volker Wieland*

7 October 2009

*Is the American Recovery and Reinvestment Act of 2009 working? At the time of the act's passage last February, this question was hotly debated. Administration economists cited Keynesian models that predicted that the \$787 billion stimulus package would increase GDP by enough to create 3.6 million jobs. Our own research showed that more modern macroeconomic models predicted only one-sixth of that GDP impact. Estimates by economist Robert Barro of Harvard predicted the impact would not be significantly different from zero.*

*Now, six months after the act's passage, we no longer have to rely solely on the predictions of models. We can look and see what actually happened.*

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