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How Can a Stimulus Help the Economy?

By www.ProfitableInvestingTips.com

The Covid-19 pandemic sent the US economy into the worst fall since the Great Depression. Things have still not recovered and whole sectors of the economy suffer substantial, lasting unemployment. Congress is haggling over stimulus measures. How can a stimulus help the economy? Although there is a legitimate concern about borrowing more money on top of an already-huge Federal deficit it did not seem to bother anyone when they passed the [Trump tax cuts](#). And those did not result in a substantial increase in hiring or wages. We look at the issue of stimulus payment in its various parts. The first distinction to be made is the difference between relief and stimulus.

Relief vs Stimulus Payments

The pandemic has caused many businesses to close and workers to lose their jobs both short and long term. People who need to stay at home to help reduce the spread of the virus often need financial help as their life goes paycheck to paycheck. Short term payments in terms of cash, unemployment payments, rent relief, and protection from foreclosure are all relief measures and are important to help get us through the crisis. But, these measures are generally not designed to stimulate the economy. The prospect of a “K-shaped” economic recovery is real. Internet-related work has not suffered so much as person to person contact work. Computer programmers can work from home but waitresses get laid off. Both may be helped by relief measures but only control of the virus will get the waitress back to work, buying groceries, and paying rent. Over the long haul, other stimulus measures will be those that create jobs and opportunity. Think [infrastructure improvement](#). This encompasses roads, bridges, ports, mass transit, and airports. It also includes things like moving to a nation-wide 5G network.

How Can a Stimulus Help the Economy?

The Covid-19 pandemic has sucked trillions out of the US economy and threatens to send millions into life-long poverty before vaccination measures take hold by the middle to end of 2021. While short term relief is critical for many, stimulus measures to recreate jobs, create new industries, and provide for better pay with greater security are essential. Stimulus measures need to be designed to reward people for working more and spending more. Such measures will drive the economy higher and create new jobs.

Specific stimulus measures that would help include aid to state and local governments, support for businesses, further unemployment insurance, rebates to households, and specific aid to affected industries. At about \$2 trillion these measures would get us through until vaccines create herd immunity. The Congressional Budget Office estimates that measures in this range would allow the economy to get back to its pre-pandemic level by the middle of 2021.

Over the longer term, Buy American measures, infrastructure projects using American labor, tools, and materials, and wholesale retraining to adapt the American workforce to the rest of the 21st century are needed to move the economy forward and protect America's economic, political, and security position in the world. Because interest rates are currently at or near zero, this is the best time to borrow and stimulate the American economy. While we can sympathize with lawmakers who worry about borrowing more money, we are currently more concerned about millions of Americans whose only recourse for getting food are the dwindling resources of food shelves and for whom Christmas presents for the kids are a distant memory. A greater concern right now than fussing about the budget is to stimulate the American economy to create jobs that pay well, create strong consumer spending, and energize the country.

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