



KALAMAZOO GAZETTE

Miss America effect: Talking up the economy

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What will do more to head off a recession: An expected \$146 billion economic-stimulus package being finalized in Congress, or Miss Michigan Kirsten Haglund winning the Miss America crown?

First, a disclosure: Although we share the same, uncommon last name, I'm not aware that Kirsten and I are related.

But, like me, she thinks about the economy.

"The state's morale is so low right now with the economy and everything, so I want everyone to know I've been so proud to represent the state for the past six months," the 19-year-old from Farmington Hills said after becoming the first Michigan contestant in 20 years to reign as Miss America.

Kirsten apparently learned more than the Miss America wave on her way to becoming the nation's premier beauty queen. The woman knows the importance of consumer confidence.

That's what the stimulus package is all about -- making people feel a bit better about their finances so they'll go out and buy more restaurant meals, big-screen televisions, cars and trucks.

Most Americans probably will get tax-rebate checks from the federal government ranging from \$300 to more than \$1,200, depending on marital status and number of dependents.

"We think some portion of that will flow to vehicles, because it will inspire a boost in consumer confidence," said Mike DiGiovanni, General Motors Corp.'s executive director of global markets and industry analysis.

A study by the Anderson Economic Group in East Lansing predicts that 4.3 million Michigan households -- 96 percent of single tax filers and 90 percent of joint filers -- will get checks.

But some economists say the cash probably won't give the economy much of a lift.

A University of Michigan study found only 22 percent of taxpayers said they spent most of their rebate checks in 2001. Most reported they either saved the money or paid down debt.

"We were frankly surprised that so few people reported spending their checks back then," said U-M economist Matthew Shapiro, who conducted the study with fellow U-M economist Joel Slemrod.

Spending could be similarly disappointing this time around, Shapiro told me. That's because consumer debt is double 2001's level, and the U.S. savings rate is practically nil.

"Households are clearly strapped," Shapiro said. "It's hard to know how they'll respond to being strapped."

The Michigan League for Human Services said it would help if Congress were to expand food stamps and extend unemployment benefits to those who've exhausted them.

Kirsten Haglund's cause is raising awareness of eating disorders. But as she crisscrosses the country as Miss America, I hope she'll also continue talking up the economy.

Then the U-M economists could study whether our native daughter provided a positive "Miss America effect" to the stimulus package.

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