



JOINT ECONOMIC COMMITTEE
SENATOR CHARLES E. SCHUMER, CHAIRMAN
REPRESENTATIVE CAROLYN B. MALONEY, VICE CHAIR



Statement of Carolyn Maloney, Vice Chair
Joint Economic Committee Hearing
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Good morning. I would like to thank Chairman Schumer for holding this hearing to examine the potential steps to avoid an economic downturn. I want to welcome our witnesses and thank them for testifying here today.

This summer's subprime crisis touched off an economic wildfire that still has not been contained. The housing wealth that consumers once relied on to fuel their spending – and the economy relied on to grow – is quickly evaporating as house prices continue their downward spiral.

Over the last several weeks, new evidence has emerged that a significant downturn in the economy may be underway. Last month, the unemployment rate increased by 0.3 percentage points – the most since right after the 9/11 terrorist attacks – and private sector job growth fell for the first time since July, 2003. Meanwhile, retailers posted disappointing holiday sales and manufacturing began to contract again, despite a weak dollar that has spurred exports.

Forecasters expect the economy to slow as high energy prices, falling home prices, and stagnant wages squeeze American families. A growing number of states are facing severe budget shortfalls due to foreclosures, declining property values and falling sales tax revenues, which will likely trigger cuts in education and health care for children and low-income families. All of which points to a gathering storm that could drag down the economy, taking thousands of American jobs with it.

It may be too late to avoid the second economic downturn of President Bush's administration. If it's like the last downturn, we may not know we're in it until it's already underway. But the technical definition of whether or when we have fallen into a recession is not likely to matter much to the millions of families for whom the Bush economy already feels like a downturn.

The economy could use a booster shot – either as a preventative measure or much needed medicine to stem the spread of the contagion.

House Speaker Pelosi and Senate Majority Leader Reid have called on the President to engage in bipartisan meetings to work out the terms of an economic stimulus package. The best chances for getting a stimulus package through Congress is one that is timely, targeted, and temporary – as Secretary Summers has advocated and even conservative economist Martin Feldstein has concurred with. Just yesterday, the Congressional Budget Office released a report saying that making the President's tax cuts permanent fails that test – it is neither temporary, nor targeted, nor timely. So if President Bush is serious about working with Congress, he will not bring that to the table.

Economists generally agree that the biggest bang for the buck will come from temporary measures targeted at low- to middle-income families. These could include one-time targeted tax relief for middle- and low-income families, extending unemployment insurance benefits, increasing low-income energy assistance and food stamps, and providing aid to the states so they can preserve Medicaid and SCHIP benefits that become even more critical during a downturn. Measures such as these get money to the people who need it the most, so they will put it right back into the economy fast and stimulate demand, with no serious risk of igniting inflation.

Initiatives targeted at bolstering the hard-hit housing sector, such as tax credits for green retrofitting and construction, could also be considered as a way to promote job creation while fostering greater energy independence.

Democrats in Congress are committed to working with the President and Republican leaders in Congress to quickly pass real reforms that will help America's working families. This may well set the tone for the coming year for Congress and the White House, and I am hopeful that we can work in a bipartisan manner to bring relief to American families.

Mr. Chairman, thank you for holding this hearing and I look forward to gaining some insights from our witnesses as to the best policies for strengthening the economy.

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