U.S. House of Representatives
COMMITTEE ON THE BUDGET
John Spratt, Chairman
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Analysis of Top Economists Supports Effectiveness of House Economic Recovery Package

At a House Budget Committee hearing today called by Chairman John Spratt (D-SC), a number of top economists provided testimony that supported the need for a strong response to the current economic situation and the effectiveness of the Democratic recovery package. The following excerpts are from the witnesses' prepared testimony.

On the Effectiveness of H.R. 1, the American Recovery and Reinvestment Act

Dr. Douglas Elmendorf, Director, Congressional Budget Office:
"In CBO's judgment, H.R. 1 would provide a substantial boost to economic activity over the next several years relative to what would occur without any legislation. With the legislation, CBO estimates, output would be between 1.3 percent and 3.6 percent higher at the end of this year, higher by a similar amount at the end of next year, and 0.5 percent to 1.4 percent higher at the end of 2011. That additional production would raise the demand for workers, turning some part-time jobs into full-time jobs and boosting the number of people employed." Elmendorf added that, according to CBO's estimates, the number of jobs would be as much as 3.6 million higher at the end of next year with the recovery package than without it.

Dr. Mark Zandi, Chief Economist and Cofounder, Moody's Economy.com:
"The House stimulus plan will not reverse the current downturn, but it will provide a vital boost to the flagging economy. With the stimulus, there will be 3 million more jobs and the jobless rate will be more than 1.5 percentage points lower by the end of 2010 than without any fiscal stimulus. Without a stimulus, unemployment will rise well into the double digits by this time next year, and the economy will not return to full employment until 2014."

On the Need for a Strong Response to the Current Economic Situation

Dr. Douglas Elmendorf, Director, Congressional Budget Office:
"CBO projects that, in the absence of any changes in fiscal policy, economic activity will contract more sharply in 2009 than it did in 2008 and the economy will grow at only a moderate pace in 2010. Under that projection, the shortfall in the nation's output relative to its potential would be the largest – in terms of both length and depth – since the Depression of the 1930s. . . The expected severity and persistence of economic weakness have led the great majority of economists to think that both large-scale fiscal stimulus and significant new financial and monetary policies are needed to generate a strong recovery in the next few years."

Dr. Alice Rivlin, Senior Fellow, Brookings Institution and Former Director of Congressional Budget Office and Office of Management and Budget:
"[S]ince an unusually severe downturn in the economy is threatening, the government should act quickly to mitigate the downslide with spending increases and revenue cuts that will stimulate consumer and investor spending, create jobs and protect the most vulnerable from the ravages of recession."

Dr. Mark Zandi, Chief Economist and Cofounder, Moody's Economy.com:
"The top priority should be the implementation of a large fiscal stimulus package."