



John Spratt,  
Chairman

U.S. HOUSE OF REPRESENTATIVES

## COMMITTEE ON THE BUDGET

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# House Budget Committee Hearing: The Case for Economic Recovery Legislation

At a hearing convened this week by House Budget Committee Chairman John Spratt (D-SC), Federal Reserve Chairman Benjamin S. Bernanke testified about developments in financial markets, the near-term economic outlook, and possible economic recovery legislation. A second panel of witnesses – which included Former Chairman of President Clinton’s Council of Economic Advisers Martin Baily, Iris Lav of the Center on Budget and Policy Priorities, and William Beach of the Heritage Foundation – discussed the possibility of economic recovery legislation.

What emerged from the hearing was a strong consensus in favor of additional legislation on the part of the Congress. Following are highlights of their testimony; complete testimony is available at <http://budget.house.gov/>:

### **On the Current State of the Economy:**

Bernanke: “Even before the recent intensification of the financial crisis, economic activity had shown considerable signs of weakening.”

Baily: “The economy of Main Street is headed in the wrong direction, with employment falling, unemployment rising and monthly data that suggest that GDP has been declining since mid year.”

Lav: “State finances are in dire straits. At least 36 states are experiencing fiscal stress.”

### **On the Case for Additional Legislation Action by the Congress:**

Bernanke: “I understand that the Congress is evaluating the desirability of a second fiscal package . . . with the economy likely to be weak for several quarters, and with some risk of a protracted slowdown, consideration of a fiscal package by the Congress at this juncture seems appropriate.”

Baily: “Given the economic weakness, there is a strong case for a new fiscal stimulus package that would boost spending and offset the chain reaction of declining spending and employment.”

Lav: “States have already begun cutting their budgets; about half of the states have made cuts in public health programs, services for the elderly and disabled, K-12 education, or universities and colleges . . . There is the opportunity to prevent many of these damaging actions through providing fiscal relief.”