

Congress of the United States

Joint Economic Committee

Democrats

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DEMOCRATS' STIMULUS PLAN DELIVERS JOBS MORE QUICKLY; BUSH ECONOMIC PLAN REDUCES LONG-RUN GDP AND NATIONAL INCOME

Washington, D.C. – As budget mark-ups begin this week in Congress, a new report by the **Joint Economic Committee (JEC) Democrats** finds that Democrats' plan for stimulus not only delivers substantially more stimulus "bang" for the budgetary "buck" than the President's plan, it also boosts job creation and incomes more in the short run without sacrificing economic growth in the long run.

"The Democratic stimulus plan gets our sick economy out of bed faster than the President's plan, and without all the unpleasant side-effects," said **Rep. Pete Stark (D-CA)**, Ranking Democrat of the Joint Economic Committee. "As we consider the budget this week, we should adopt policies that will get people back to work quickly and not harm our long-term economic prospects."

The JEC report compares the Bush "Jobs and Growth Initiative" with a Democratic alternative modeled on the plans offered by Minority Leader Daschle in the Senate and Minority Leader Pelosi in the House. The analysis, based upon mainstream macroeconomic and growth models, finds that the President's plan leads to significantly bigger deficits and significantly more debt than the Democratic alternative, which translates into less national income in the future.

The report's three key conclusions are the following:

- *The Democratic plan provides more stimulus when it is needed most.* In the first year, the Democratic alternative provides up to twice the additional GDP growth and job creation as the President's plan, and thus restores full employment more quickly. **The Democratic plan boosts GDP by up to 1.6 percent by the end of this year and creates up to 1.1 million jobs.**
- *Interest rates are lower under the Democratic stimulus plan.* Once the economy is back to full employment, the President's plan continues to provide stimulus, which forces the Federal Reserve to raise interest rates to keep the economy from overheating. **By concentrating its stimulus in the first year and avoiding unnecessary stimulus beyond that, the Democratic alternative allows the Fed to pursue a more accommodative monetary policy, with lower interest rates.**
- *National income is higher in the future under the Democratic alternative.* The substantial long-term budget costs of the President's plan (nearly \$1 trillion over 10 years, once interest costs

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are taken into account) add to the national debt and drain national saving. Less national saving translates into less investment, less growth, and ultimately less future income. **As a result, under the Bush plan national income is 0.4-0.6 percent lower from what it would be with no policy.** The Democratic alternative has a 10-year cost closer to \$100 billion, and therefore does not entail those long-term budget and economic costs.

Copies of the JEC report, *Policies to Restore Full Employment and Promote Long-Term Growth: Comparing the President's Jobs and Growth Initiative with Democratic Alternative*, will be available at the news conference or at the JEC website (www.senate.gov/~jec/democrats) after the news conference.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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