



Statement of Carolyn Maloney
Joint Economic Committee Hearing
July 14, 2010

"I want to welcome Dr. Christina Romer, the Chair of the Council of Economic Advisers, and thank her for her testimony here today. The Council of Economic Advisers and the Joint Economic Committee were both created by the Employment Act of 1946 and share an important history of providing the White House and Congress with analysis of economic conditions and economic policy.

Our hearing today is on the economic outlook as well as the impact of the Recovery Act on the economy. In the first quarter of 2009, when the current administration took office, the economy was facing the worst economic crisis since the Great Depression:

- GDP fell by 6.4 percent, the fastest rate in almost three decades; and,
- Monthly employment losses were higher than any seen since after World War II – in the first quarter of 2009, an average of 753,000 jobs were lost each month.

As you pointed out last fall, the shocks that hit the economy in the Fall of 2008 were larger than those that caused the Great Depression.

Due to the Recovery Act and other targeted spending programs passed in the 111th Congress, the economy has recovered over the last year:

- Private sector jobs were created in every month of 2010; and,
- GDP grew for 3 straight quarters with forecasts of growth continuing for a fourth quarter.

As the Chair of the JEC, I have learned how valuable charts can be to present the story of the economy. This chart clearly shows that the Recovery Act had a clear impact on the economy's upward trend.

I am especially pleased that you are appearing before us just before the JEC transmits its mandated response to the Economic Report of the President. Your testimony here today will inform us as we put the finishing touches on that report. Since January, the JEC has been laser focused on job creation, holding numerous hearings and issuing a number of reports on this topic. While the economy has expanded, consistent with the ERP's predicted growth for the first half of 2010, I worry that this recovery is still very fragile.

It is clear that some of the differences between this recession and previous recessions might endanger this fragile recovery:

- First, although the unemployment rate has been higher in previous recessions, the long-term unemployment rate (that is for workers looking for work for more than 6 months) is at historically high levels.
- Second, the median duration of unemployment is almost 6 months – which means that the typical worker searches for six months before finding employment or possibly dropping out of the labor force.
- Finally, state and local governments are experiencing significant budget gaps as property and income tax revenues have plummeted while aid to unemployed families has spiked and demand for public education has risen.

In order to spur the hiring process, it is clear that additional measures must be taken to create enough jobs for the nearly 15 million unemployed.

I am dismayed by my colleagues who are listening to the political siren's call of short-term cuts to the deficit instead of heeding the economic imperative of robust job creation. Make no mistake – the national debt is a serious challenge for our economy.

A long-term strategy on debt reduction is essential for a strong economy for generations to come. We need to carefully craft a plan that is smart, effective and fair. As Fed Chairman Ben Bernanke told the JEC earlier this year, “....maintaining the confidence of the public and financial markets requires that policymakers move decisively to set the federal budget on a trajectory toward sustainable fiscal balance.”

However, efforts to translate this need into short-term spending cuts – especially cuts in unemployment benefits – have moved the deficit battle into the homes of the unemployed. This is bad economics and bad public policy.

Dr. Romer, we thank you for your testimony and I look forward to working with you as the committee continues our focus on fixing the economy, helping struggling families, and, above all, putting people back to work.”

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