Statement of Carolyn Maloney
Joint Economic Committee Hearing
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Today's news is bleak. The gross domestic product, which is the broadest measure of our economy, fell by 0.3 percent and consumer spending fell by 3.1 percent in the third quarter. This news comes on the heels of this week's dismal report that the consumer confidence index plunged to an all-time low in October. All of this provides further confirmation that unless we act to bring real relief to Main Street, families will continue to suffer serious economic hardships.

These data indicate that Speaker Pelosi has been right in pressing for additional economic stimulus as the Congressional hearings this month have shown.

Over the past year, we have seen the sub-prime crisis turn into a full-blown financial crisis. Many economists now warn that we are the midst of a recession, quite possibly the worst in decades, and the impact on families may be devastating without government intervention.

This committee has been tracking the unfolding economic crisis for over a year. In our monthly hearings on the employment situation, we have seen how the private sector has shed nearly a million jobs in 2008 and U.S. workers have lost all of the wage gains that they had made during the 2000s recovery.

There is now a growing consensus that Congress should enact a second stimulus package and that it should be larger than the one we passed in January. During recent testimony in front of the House Budget Committee, Federal Reserve Chairman Ben Bernanke gave his support to another round of significant economic stimulus: "[W]ith 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."

As detailed in a Joint Economic Committee report released yesterday, the need for stimulus is urgent. A consumer- or export-led recovery is unlikely because this downturn follows the weakest recovery on record. Even as the economy expanded over the last eight years, household incomes never recovered from the last recession. Falling home values and rising debt have driven family balance sheets to their worst condition in decades, while at the same time banks have been curtailing access to credit. As consumers cut back on their spending, this drags down the economy further.

Economists are also encouraging Congress to recognize that during a potentially protracted and deep downturn, concerns about budget deficits must be secondary to the goal of getting the economy back on track. Former Treasury Secretary Lawrence Summers has said, “The idea seems to have taken hold in recent days that because of the unfortunate need to bail out the financial sector, the nation will have to scale back its aspirations in other areas such as healthcare, energy, education and tax relief. This is more wrong than right.”

Congress has already taken numerous steps to help buffer families from the effects of the downturn. More than 130 million American households have received a Recovery Rebate and 3.5 million unemployed workers have received extended Unemployment Benefits. In July, Congress enacted a housing package aimed at stemming the tide of foreclosures.

As the financial crisis worsened this fall, Congress began a sweeping investigation to examine the root of the crisis and lay the foundation for action on common sense regulation of the financial and housing industries.

This is grim news today, but I expect this Congress will act with the current President and the next President to get the economy back on track and get Americans back to work. Clearly, we need a new direction on economic policy. American families need more help to weather this economic storm.

I want to thank our distinguished panel of witnesses for appearing before us today and thank Senator Schumer for calling this hearing. I look forward to today’s testimony as we help to lay the groundwork for the next economic stimulus package.

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