

Thursday, February 11, 2010

Contact:

Michelle Bazie, 202-408-1080, bazie@cbpp.org

**STATEMENT BY ROBERT GREENSTEIN,
EXECUTIVE DIRECTOR,
ON BAUCUS-GRASSLEY "HIRE" ACT**

820 First Street, NE, Suite 510
Washington, DC 20002
Tel: 202-408-1080
Fax: 202-408-1056
center@cbpp.org
www.cbpp.org

Robert Greenstein
Executive Director
T. Scott Bunton
Deputy Director

Board of Directors

David de Ferranti, Chair
Results for Development Institute

Henry J. Aaron
Brookings Institution

Ken Apfel
University of Maryland

Barbara B. Blum
Columbia University

Henry A. Coleman
Rutgers University

Marian Wright Edelman
Children's Defense Fund

James O. Gibson
Center for the Study of Social Policy

Beatrix Hamburg, M.D.
Cornell Medical College

Antonia Hernández
California Community Foundation

Frank Mankiewicz
Hill and Knowlton

Richard P. Nathan
Nelson A Rockefeller Institute of Government

Marion Pines
Johns Hopkins University

Robert D. Reischauer
Urban Institute

Paul Rudd
Adaptive Analytics, LLC

Susan Sechler
German Marshall Fund

William Julius Wilson
Harvard University

John Kramer
Founding Chair 1937-2006

Sol Price
1916-2009

The Baucus-Grassley "HIRE" Act recognizes the need for further steps to boost the economy and create jobs beyond what Congress enacted last year in the American Recovery and Reinvestment Act (ARRA). It falls short of what's needed, however, because it lacks additional fiscal relief for hard-pressed states and provides an inadequate extension of emergency unemployment insurance (UI) benefits for jobless workers. Fiscal relief and UI are among the most effective steps available to policymakers, providing a high "bang for the buck" in terms of boosting the fragile economy as well as preventing layoffs and preserving or creating jobs. Congress should add significant fiscal relief and extend the length of additional UI benefits to the recovery legislation it enacts.

The lack of additional fiscal relief is particularly glaring. States face an estimated \$300 billion in total deficits over the next two fiscal years, and many states have already begun to draft their budget for 2011, which starts July 1 in most states. Governors are proposing deep program cuts that, if adopted by their legislatures in the coming weeks, will reduce demand in the economy, increasing unemployment and raising the risk of a double-dip recession. If Congress does not act – and act quickly – to provide more fiscal relief, states will have to take steps to close their budget gaps that could cost the economy up to 900,000 jobs. They will likely cut education, leading to teacher lay-offs; cut Medicaid, throwing more working-class people into the ranks of the uninsured, and cut aid to local governments, leading to cutbacks in local services like police and fire protection. All of these actions will mean less money for families and small businesses to spend in their communities, further depressing economic growth. Federal aid to states produces \$1.41 in economic activity for each \$1 in federal spending, according to Mark Zandi, chief economist of Moody's economy.com. Thus, the Baucus-Grassley legislation omits one of the best "bangs for the buck" available.

Congress also should extend the emergency UI benefits for unemployed workers that it enacted in ARRA through the end of the year. Most forecasters believe that unemployment will remain close to 10 percent through 2010, and that means long-term unemployment will also likely remain very high. Regular UI benefits typically run out after 26 weeks but, as of last month, more than 40 percent of unemployed workers had been looking for a job for 27 weeks or more. The percentage of the unemployed who have been out of work for more than half a year and still can't find a job is the highest on record in data that go back to 1948, and much higher than in past recessions. Providing temporary additional benefits to unemployed workers in such a weak labor market not only helps the workers and their families but it's also one of the most effective ways to boost the nascent economic recovery. The Congressional Budget Office listed it among the most effective policies for boosting output and employment in its recent analysis of measures that Congress will likely consider, and it consistently ranks very high in other analysts' rankings of economic stimulus "bang-for-the-buck."

As Congress considers legislation to further boost the economy and create jobs, lawmakers should include the critical steps of significant fiscal relief and an extension of emergency UI benefits through the end of 2010.

###