

Contact: Jesse Jacobs  
(202) 224-4524  
<http://sarbanes.senate.gov>

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## **STATEMENT OF SENATOR PAUL S. SARBANES (D-MD) Democratic Policy Committee Hearing on the Bush 'Stimulus' Proposal**

"I would like to begin by thanking Senator Dorgan and the Senate Democratic Policy Committee for organizing this hearing. Seldom during my service in the Congress have I seen a greater need for informed public debate and education than about the economic program that the President has put forward. The gap between the rhetoric and the reality of the President's proposal is enormous. I hope this morning's hearing helps contribute to a greater public understanding of what is really being proposed.

"I would also like to commend my colleagues here this morning for the exceptional leadership they have provided on these economic issues. House Democratic Leader Pelosi and Representative Spratt were the leaders in crafting the economic plan that the House Democrats put forward, which is carefully designed to provide a short-term fiscal stimulus to the economy focused on working and middle class Americans while preserving our long term fiscal strength. In my view it is critical to the public debate on the economy that this credible and responsible alternative to the President's proposal has been put forward.

"The President's proposal to adopt large, long-term tax cuts in the face of the very severe national security threats that we confront abroad and at home is reckless and irresponsible. It throws prudence to the wind and reflects the triumph of ideology over reality. The war on terrorism, the need for strengthening our homeland defense, the war with Iraq that the President seems to be moving toward, the potential crisis with North Korea, and other possibilities will all make uncertain but substantial demands on our public resources. In this context, it seems to me, seeking to put in place a set of tax proposals that may cost nearly a trillion dollars over the next ten years, if interest costs are included, is impossible to comprehend.

"We do confront a weak economy. The labor market is particularly troubled. The unemployment rate remained at an eight year high of 6.0 percent in December, private sector jobs fell by 115,000 and those unemployed more than 26 weeks increased by 122,000. Approximately 1 million Americans have exhausted their unemployment benefits and remain unemployed. Over 21 percent of those unemployed have been unemployed for more than 6 months, the highest percentage in more than 10 years. Approximately 1 million Americans have already exhausted their unemployment benefits and remain unemployed. We have a serious problem with regard to long-term unemployment and the recently passed extension of unemployment benefits, which the President only belatedly supported, does not go far enough to address the problem.

“There is a strong case to be made for a short-term fiscal stimulus that would give a real boost to the economy. In particular, it is critical that an extension of unemployment insurance be provided for those who have exhausted the additional 13 weeks for which they are eligible. The unemployment insurance trust funds are in strong financial condition, with a surplus approaching \$25 billion, to support such an extension and are created for just this circumstance. This is what has been done by the Congress in previous economic downturns. This would be the most effective kind of fiscal stimulus because people who have been unemployed for an extended period will have to spend the money as soon as they receive their benefits. This proposal is incorporated in the House Democratic plan. The Administration should step forward and support an extension of unemployment benefits for those who have exhausted their initial 13-week extension.”

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