
ECONOMISTS' STATEMENT

An Open Letter to Senators Tom Daschle and Trent Lott

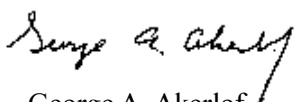
The current state of the U.S. economy justifies further fiscal stimulus by the federal government. But the stimulus package passed by the House of Representatives will do little to assist a near term recovery and is likely to undermine growth in the long term.

The basic principles in designing an economic stimulus are: (1) that it be targeted to increase spending immediately; and (2) that it be temporary, phasing out when the economy recovers.

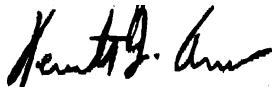
The bill passed by the House fails on both counts. First, it mainly provides permanent tax cuts rather than the temporary measures required by prudent fiscal policy. Second, most of the benefits go to the wealthy and to large corporations.

In addition to being inequitable, tax cuts for the wealthy are less likely to be spent quickly than are benefits to low-income families and the recently unemployed. The tax cuts for large corporations are particularly inappropriate. Large retroactive rebates to a few giant companies will do little to stimulate an economy suffering from insufficient demand. Moreover, the permanent nature of these tax cuts is likely to worsen the long-term budget outlook and may keep long-term interest rates high.

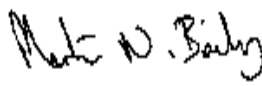
The package passed by the House should be rejected by the Senate and replaced with temporary measures, such as further expanded unemployment benefits, that will increase spending now.



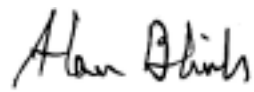
George A. Akerlof
UNIVERSITY OF CALIFORNIA,
BERKELEY



Kenneth J. Arrow
STANFORD UNIVERSITY



Martin N. Baily
INSTITUTE FOR INTERNATIONAL
ECONOMICS



Alan Blinder
PRINCETON UNIVERSITY



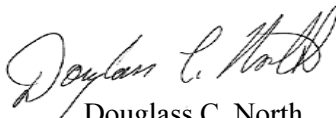
Jeff Faux
ECONOMIC POLICY INSTITUTE



Lawrence R. Klein
UNIVERSITY OF PENNSYLVANIA



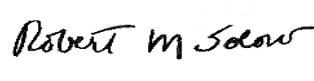
Franco Modigliani
MASSACHUSETTS INSTITUTE
OF TECHNOLOGY



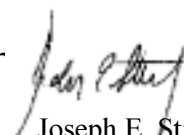
Douglass C. North
WASHINGTON UNIVERSITY



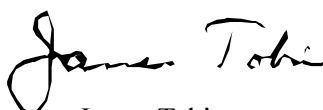
William F. Sharpe
STANFORD UNIVERSITY



Robert M. Solow
MASSACHUSETTS INSTITUTE
OF TECHNOLOGY



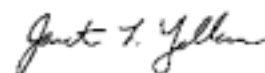
Joseph E. Stiglitz
COLUMBIA UNIVERSITY



James Tobin
YALE UNIVERSITY



Laura D'Andrea Tyson
UNIVERSITY OF CALIFORNIA,
BERKELEY



Janet Yellen
UNIVERSITY OF CALIFORNIA,
BERKELEY