

# Financial Crisis Needs More Economic Stimuli

BY REPRESENTATIVE  
CAROLYN B. MALONEY

The economic news keeps getting worse. Our economy shrank in the third quarter, private employers have shed 1.2 million jobs this year, and workers have lost all the wage gains they earned in recent years. The question on everyone's mind is how do we turn this economy around?

I believe that we need a second economic stimulus plan to get our economy back on track. At a Joint Economic Committee hearing I chaired recently in Washington, economic experts testified that prospects for a consumer-led recovery are bleak. U.S. consumers are more financially constrained now than at the beginning of prior recessions and businesses are unlikely to invest until they see signs that consumers have recovered. That leaves government spending as the best – perhaps only – option.

Since U.S. consumption makes up over two-thirds (70.6 percent) of U.S. Gross Domestic Product, when consumers run out of options to maintain their spending, the economy falters. The weak economic recovery of the 2000s, combined with falling home prices and increasingly limited access to credit, are constraining households' ability to maintain their spending in the face of unemployment and falling real incomes.

The situation is very different than in prior recessions. In the early 2000s recession, home prices were rising and households had easy access to credit. Families coped with the downturn by taking out billions of dollars in home equity and credit card debt. This borrowing helped keep the economy moving – although at a relatively low rate – and pulled us out of recession.

This time around, families will not be able to borrow their way out of the downturn, nor will many be able to dip into savings. The national savings rate is hovering near zero and families' assets are dwindling rapidly as their home values fall. At no other time have families owned a smaller share of their homes' equity. At the same time, household debt is at record highs and families are spending a historically high share of their income on debt payments.

The current economic downturn follows on the heels of the weakest recovery on record. For the first time since World War II, the 2000s recovery did not provide any real income gains for the typical household.

Families facing unemployment, rising prices, or falling incomes have fewer options than ever before. If consumers cannot lead the recovery, then the responsibility must fall to business investment, exports or government.

As long as demand remains weak and

consumers are not coming through their doors, businesses are unlikely to respond strongly to lower interest rates or tax cuts. Demand is already so weak that in the third quarter, real consumer spending fell for the first time since 1991.

Exports have been boosting economic growth, but for this to continue, we will need a low dollar and strong consumer demand in other nations. Our economic woes, however, are global, with many of our trading partners experiencing sharp downturns, just as we are. Additionally, the dollar has been rising, which is further limiting our ability to export our way out of this downturn.

This leaves government spending as the most viable way to keep the economy moving.

The President should work with Congress to enact a second stimulus package of infrastructure investment and aid to the states to get the economy back on track. Over half of the states are projecting budget shortfalls for fiscal year 2009 and this will lead not only to cutbacks in necessary services, but higher unemployment.

Rebuilding and modernizing America's infrastructure will strengthen our economy and help create good jobs at good wages. Investing in "greening" our economy will not only create high-skilled jobs, but will also help make us more energy independent and reduce global warming.



Representative Carolyn B. Maloney

In the weeks and months to come, I will be working with my Congressional colleagues to enact a much-needed stimulus plan. We need to make these investments now – our economic health depends on it.

*Representative Carolyn B. Maloney, Democrat from New York's 14th Congressional District, is the Vice Chair of the Joint Economic Committee of the United States Congress.*

## When It Rains...It Shouldn't Pour

BY COUNCILMAN  
DAVID I. WEPRIN

New York City is the home to more than 6,000 nonprofit organizations. They provide services such as food for seniors, after school programs and a myriad of cultural and social programs.

Their services are provided to over 8 million residents and their pivotal community role fills the void in services where the government either falls short or does not provide any particular services to residents.

Nonprofits rely and are able to successfully operate with the donations from private and corporate entities that share a group's particular cause. Although these donations may be sufficient for some organizations, many rely on additional funding through government subsidies.

During annual budget seasons, organizations jockey with the intent to stand out to council members with the hope of his/her support. This support is oftentimes translated into subsidies. But, the hardest aspect of this process is the deliberations of which organization to support and which to bypass.

Since nonprofits are greatly impacted by business cycle declines, it is imperative to provide these smaller organizations with opportunities to survive when the tide changes. A policy that should be greatly considered is adding provisions to the current IRS tax code for these nonprofit organizations to create a "Rainy Day Fund."

When the economy slows down, this "Rainy Day Fund" can absorb some of the negative impact the economy brings to an organization. Those negative impacts translate to reduced or eliminated services.

Without many of these nonprofit organizations, thousands of recipients of their services will be left to reacquire themselves with other nonprofit organizations that are subjected to the same volatility sooner or later.

This "Rainy Day Fund" will not only save many nonprofit organizations, it will also prevent a ripple effect of recipients to turn to other means of their required services that the organizations are currently meeting.

In a healthy economy, as in a weak economy, a reserve account serves to only benefit nonprofit

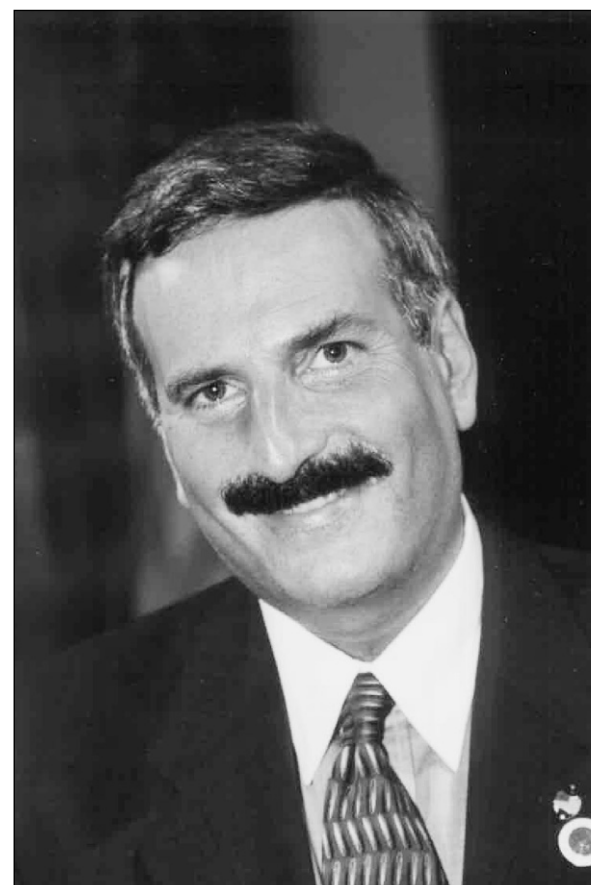
organizations and the people they serve without much overhaul in the system. This added provision may mean the survival of thousands of nonprofit organizations.

With the tough economic times upon us and contributions dwindling for many groups, it is important that measures are taken that will protect groups and the people who rely on their services.

The current fiscal problems due to the downward spiral of Wall Street, the housing market and the national economy, will mean that next years budget process will be tougher than the one experienced when I first came into office in 2002.

The most successful and well established nonprofits are facing fundraising shortfalls and the medium to smaller organizations are not only subjected to the same fate, they are feeling the impact a lot sooner than the larger organizations.

As we try to find ways to lessen the pain that New Yorkers are facing, we must also look at helping groups that provide essential services to our most vulnerable populations.



David Weprin is the Chair of the

Councilman David I. Weprin