

Boston University

Department of Economics
270 Bay State Road
Boston MA 02215 USA



Laurence J. Kotlikoff
Professor
Email: kotlikoff@bu.edu
Phone: 617 353-4002
Fax: 617 353-4001

September 30, 2008

To the Speaker of the House of Representatives and the President pro tempore of the Senate:

As economists, we write to support the plan before Congress dealing with the financial crisis. We are well aware that the proposed intervention entails very large sums and considerable risk for American taxpayers, albeit upside as well as downside risk.

Ours is a mixed, private-public economic system. Even in normal times, our government is heavily involved in the economy and holds a considerable claim on the private sector via the tax system. That said, none of us would counsel government arrangements of the proposed type in normal times. Today's situation is far from normal. Nor, unfortunately, is it unprecedented.

Our country has weathered significant financial crises over the years. It will weather this one as well. The main lesson learned from prior crises is that timely and aggressive government intervention can restore confidence and galvanize the private sector to take mutually reinforcing and economically beneficial actions. This ability of the government to set the economy on a healthy path makes the proposed intervention much less risky than would otherwise seem to be the case.

We call upon all members of Congress to support this important legislation knowing full well that doing so is neither easy nor guaranteed of success. *

Signed by*

Richard J Arnould, University of Illinois
Henry Aaron, The Brookings Institution
Bahram Adrangi, University of Portland
Lanny Arvan, University of Illinois
Alan Auerbach, University of California at Berkeley
Lawrence Ausubel, University of Maryland
Kathy Baylis, University of Illinois
Valerie R. Bencivenga, University of Texas, Austin
Douglas Bernheim, Stanford University
Dan Bernhardt, University of Illinois

John Bigelow, The Princeton Economics Group
Douglas Blair, Rutgers University
Alan Blinder, Princeton University
Emily J. Blanchard, University of Virginia
Michael Boskin, Stanford University
Ricardo Caballero, MIT
Domingo Cavallo, Fundaci3n editerra, Argentina
Christophe Chamley, Boston University
Joaquin Cottani, LECG, LLC.
Peter Cramton, University of Maryland
David Dapice, Tufts University
Robert H. Dugger, Tudor Investment Corporation
Todd Easton, University of Portland
Everett Ehrlich, ESC Company
Niall Ferguson, Harvard University
Jeffrey Frankel Harvard University
Daniel Friedman, University of California, Santa Cruz
Donald Fullerton, University of Illinois
K.C. Fung, University of California
Eric Furstenberg, University of Virginia
Firouz Gahvari, University of Illinois
Richard Gilbert, Compass Lexecon
Marsha Goldfarb, University of Maryland Baltimore County
John Goodman, National Center for Policy Analysis
Lawrence H. Goulder, Stanford University
Robert Hall, Stanford University and the Hoover Institution
Daniel S. Hamermesh, University of Texas at Austin
James Harrigan, University of Virginia
James Henry, Sag Harbor Group, Inc.
Bengt Holmstrom, MIT
Seung-Hyun Hong, University of Illinois, Urbana-Champaign
Yannis M. Ioannides, Tufts University
William Johnson, University of Virginia
Joseph Kasputys, Global Insight, Inc.
Justine Kilpatrick, retired
Roger Koenker, University of Illinois
Laurence J. Kotlikoff, Boston University
Howard Kunreuther, University of Pennsylvania
Arvind Krishnamurthy, Northwestern University
Kevin Lang, Boston University
Barton Lipman, Boston University
Michael Manove, Boston University
Preston McAfee, Caltech
Robert Margo, Boston University
Walter W. McMahon, University of Illinois
David G. Mathiasen, United States Senior Executive Service

Perry Mehrling, Barnard College, Columbia University
Joe Minarik, Committee for Economic Development
Len M. Nichols, New American Foundation
Van Doorn Ooms, Committee for Economic Development (retired)
Janusz A Ordover, New York University
Jon Orsag, University of Southern California
Howard Pack, University of Pennsylvania
Janet Pack, University of Pennsylvania
Christina Paxson, Princeton University
Herakles Polemarchakis, University of Warwick
Thomas J. Prusa, Rutgers University
Salim Rashid, University of Illinois
Bruce Reynolds, University of Virginia
Hugh Rockoff, Rutgers University
Alice M. Rivlin, The Brookings Institution
Isabel Sawhill, Brookings Institution
Elliot Schwartz, Committee for Economic Development
Neil Sheflin, Rutgers University
George P. Shultz, Stanford University
Hal Sider, Compass Lexecon
Alan Spearot, University of California, Santa Cruz
Eric Toder, The Urban Institute
Eric Van Wincoop, University of Virginia
Luis M. Viceira, Harvard University
Ingo Vogelsang, Boston University
Eugene N. White, Rutgers University
Roberton C. Williams III, University of Texas at Austin
Robert Willig, Princeton University
Sidney G. Winter, University of Pennsylvania

* We are signing as individuals and not as representatives of our organizations, which are mentioned for identification purposes only.