

# STATEMENT OF CONGRESSMAN

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Ranking Republican Member

Ensuring Middle Class Prosperity

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It is a pleasure to join in welcoming the distinguished panel of witnesses before us today: former Treasury Secretary Robert Rubin, former Treasury Secretary Larry Summers, Professor Alan Blinder, and Professor Richard Vedder. I would also like to congratulate Senator Schumer in joining the Committee and being designated as the incoming Chairman.

The hearing today will probably cover a number of topics, including the performance of the U.S. economy. It is important to recall that in 2003, a new policy mix of accommodative Federal Reserve policy and tax incentives for investment led to a rebound of investment. The pace of economic growth picked up and employment growth rebounded. Since August of 2003, over 7 million jobs have been created, and the unemployment rate has fallen to 4.5 percent. Economic growth has generally been quite good. In 2005, the Fed referred to the "solid performance" of the economy and said that it "should continue to perform well in 2006 and 2007."

Some have criticized U.S. economic performance for producing excessive income inequality. However, according to the Census Bureau, its key measure of income inequality has been statistically unchanged since 2001. Some have also focused on slow wage growth, but many of the data used understate progress because they are based on measures that overstate inflation and exclude fringe benefits. Even so, various measures of real wages and earnings growth have been rising at a faster pace recently. It should be noted that during the 1990s expansion it also took several years before real wages and earnings increased at a strong rate.

The continued prosperity of middle income households can be facilitated by pro-growth economic policies. It would also be reasonable to examine federal policies regarding research, personal saving and investment, education, and social safety net programs to determine what changes might be helpful. For example, I have long supported various tax incentives for personal saving and investment to provide financial security and a reserve fund for middle class investors.

However, in Congress today there is increasing support for a policy response that would be profoundly destructive to middle income families: protectionism.

Protectionism would undermine economic growth, trigger international retaliation, and raise prices for middle income consumers.

Three of the witnesses before us this morning are associated with the Hamilton Project of the Brookings Institution, a project that seems designed to head off the rising tide of protectionism among the Majority in Congress. While I may not agree with the Hamilton Project recommendations, the project is a well-intended effort to fend off a very real threat to middle income families. Protectionist policies would be a very valid reason for middle class anxiety.

According to many economists, a quickening pace of technological change is more responsible for shifting employment patterns than is international trade. Thus economic policies that promote the flexibility and dynamism of the U.S. economy are the best course for improving the future of middle income Americans. As Congress examines these issues, it should avoid policies that will hamper the ability of the economy to adapt to future challenges.