



Statement of Carolyn Maloney
Joint Economic Committee Hearing
July 2, 2010

"Today's Employment Report from the Bureau of Labor Statistics shows that in June, the economy added 83,000 private sector jobs, the sixth straight month of employment gains in the private sector. Since the beginning of the year, the economy has added 593,000 jobs in the private sector. As expected, the June report also showed a sharp decline in temporary Census workers causing total nonfarm payrolls to decline for the first time this year. Additionally, the June employment report showed that the unemployment rate ticked down to 9.5 percent and the number of unemployed workers declined by 350,000.

Although the overall unemployment rate has declined from its peak of 10.1 percent in October, not all demographic groups are seeing the same trends in unemployment rates. For example, the unemployment rate for African American workers continued to rise after October, although the current unemployment rate of 15.4 percent is lower the peak of 16.5 percent. Although the unemployment rate for women showed little change in the first 5 months of 2010, the unemployment rate for women declined in June to 8.3 percent.

We have made real progress in the past year. Last June, we lost 452,000 private sector jobs. While these job gains are not as robust as earlier this year, the trend is in the right direction. The policies that Democrats in Congress quickly put into place over the last year are working.

In addition to overall private sector job gains,

- Manufacturing employment has risen for six months in a row, after falling 3 straight years.
- Consumer spending has risen every month since October 2009.
- Surveys of both the service sector and the manufacturing sector show that growth is expected to continue.

But we have to be patient. The path to recovery is never a straight line. For the millions of workers who lost their jobs, it will take time for them to become employed again. We also have to be vigilant. The recovery is still fragile and our economy is still vulnerable. In fact, Nobel laureate Paul Krugman believes that we are in the early stages of another Great Depression.

He recently wrote that this depression "will be primarily a failure of policy....governments are obsessing about inflation when the real threat is deflation, preaching the need for belt-tightening when the real problem is inadequate spending."

I am disheartened that the Senate has failed to extend unemployment insurance benefits, despite the fact that there are still 14.6 million unemployed workers bearing the brunt of the worst economic crisis since the Great Depression. As a result, an estimated 1.7 million unemployed workers will lose benefits

by the end of next week. Some Members of Congress do not want to extend unemployment benefits because they believe these benefits create a disincentive for people to seek work.

As a JEC majority staff report entitled “Does Unemployment Insurance Inhibit Job Seekers?” shows, the evidence is clear – these benefits do not inhibit job seekers from vigorously looking for or accepting work. Instead, these benefits provide an enormous benefit to society, by stimulating the economy as well as preventing workers from dropping out of the labor force.

Even former Fed Chairman Alan Greenspan expressed strong support for extensions of unemployment benefits after the first Bush recession. In a hearing before the JEC in May 2003, Chairman Greenspan stated “when you’re in a period of job weakness where it is not a choice on the part of people whether or not they’re employed or unemployed, then, obviously, you want to be temporarily generous. And that’s what we’ve done in the past, and I think it’s worked well.”

In May 2003, we had fewer than 3 unemployed workers for every opening and the unemployment rate was 6.1 percent. The most recent data shows that there are 5 unemployed workers for every opening and the unemployment rate is 9.5 percent.

Extending these benefits provides more than needed stimulus to the economy and a social safety net for people who are out of work.

It is fiscally prudent as well.

Disabled workers who become discouraged and drop out of the labor force enter the Social Security Disability Insurance program, which is much more expensive than unemployment insurance benefits. We also know that unemployment benefits stimulate the economy. Every dollar in unemployment benefits multiplies to create over \$1.60 in economic activity. At a hearing before this committee in February, Douglas Elmendorf, Director of the nonpartisan Congressional Budget Office testified that extending these benefits is one of the most effective and efficient ways of stimulate the economy. And surely it is obvious that getting the economy to grow and getting people back to work are crucial to getting our deficit under control.

Moreover, this will be the first time since 1959 that the government will allow unemployment benefits to expire when the national unemployment rate was above 7 percent.

It is time for all members of Congress to put the American people first.”

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