CONGRESS OF THE UNITED STATES
JOINT ECONOMIC COMMITTEE
Congressman Kevin Brady
Ranking Republican House Member

PRESS RELEASE

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**STATEMENT OF
CONGRESSMAN KEVIN BRADY
RANKING REPUBLICAN
HOUSE MEMBER**

***Employment Data Further Undermine
Credibility of Administration Budget Forecast***

I would like to join in welcoming Commissioner Hall before the Committee this morning.

The employment data released this morning show the impact of the deepening recession. Payroll employment declined by 663,000 in March, with losses broadly shared among major industry groups. The unemployment rate increased to 8.5 percent, and current trends suggest that further increases are likely in coming months.

The job figures reported today add to the growing body of evidence indicating that the Administration's economic forecast is much too optimistic. The unemployment rate is already significantly above the Administration's forecast for all of 2009. The Administration projects that real GDP will fall 1.2 percent in 2009 and rise 3.2 percent in 2010, compared with a Blue Chip Consensus forecast of a decline of 2.6 percent in 2009 and an increase of 1.9 percent in 2010. The CBO forecast of a 3.0 percent decline in 2009 GDP also shows how far off the Administration is likely to be for 2009.

The Administration's unduly optimistic economic assumptions are a major problem. These optimistic assumptions are a key foundation of the President's budget proposals, and lead to artificially low deficit and debt projections. No wonder *The Economist* called the assumptions in the Administration's budget "deeply flawed" in an article entitled, "Wishful, and dangerous, thinking." Their effect is to make the Administration's expansive new spending proposals look less threatening than they actually are.

The reason the Democrats' Congressional budget resolution got so far off track is that it is based on the President's budget proposals. This is why a variety of accounting gimmicks are needed to hide the true costs of the Administration's dangerous spending spree in the Democrats' House budget resolution. As the *Washington Post* said last week, in this resolution "Congress deals a blow to 'honest budgeting.'" The Democrats now are attempting to shoehorn expensive Administration proposals based on unrealistic economic assumptions into a House budget resolution that uses more realistic economic assumptions from the CBO.

A realistic economic forecast would indicate that the fiscal situation is already very grim, with exploding deficits and debt for the foreseeable future. According to a recent study of many financial crises by Professors Kenneth Rogoff and Carmen Reinhart that has become an instant classic, the U.S. national debt can be expected to increase by $8 trillion to $9 trillion over the next three years. According to Rogoff, inflation of 8 to 10 percent is one likely way the government will end up financing the huge run-up in federal debt. He compares the coming economic environment to the 1970s, which was a time of rising inflation, weak economic growth, and rising unemployment.

The Democrats' budget will add yet more deficit spending and debt to the huge amounts of each already in the pipeline. The result will be much higher taxes and inflation in the future, and lower economic growth. Higher inflation in coming years will further reduce the American standard of living as incomes and retirement funds are further eroded. The last time Democrats controlled both ends of Pennsylvania Avenue for a significant length of time was in the 1970s and stagflation was the result, so nobody should be surprised if history repeats itself.

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