



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CONGRESSMAN KEVIN BRADY

RANKING REPUBLICAN HOUSE MEMBER



NEWS RELEASE

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**STATEMENT OF
CONGRESSMAN KEVIN BRADY**

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THE NEED FOR QUALITY ECONOMIC STATISTICS

It is a pleasure to join in welcoming both panels of witnesses testifying before us this morning. There is broad bipartisan agreement on the importance of impartial, accurate, and timely economic data. We also need to ensure that federal economic statistics fully reflect the growing importance of service industries and exports to GDP.

The Census Bureau publishes a number of economic statistics but also collects and compiles data for other agencies. For example, Census Bureau personnel are engaged in collecting the data used for the Bureau of Labor Statistics (BLS) household survey, from which the unemployment rate is derived.

Unfortunately, a review of the data published by the Census Bureau as well as other statistical agencies shows that the economy remains in a severe recession and that the Administration's optimistic economic forecast is not consistent with the facts. This rosy economic forecast means that the Administration's projections of budget deficits and debt are significantly understated, misleading policy makers as they consider trillions of dollars of additional federal spending related to the health insurance proposal and other programs.

This may explain why the Administration is attempting to defer the release of its midsession budget update until after Congress votes on the health insurance proposal, a measure that the Congressional Budget Office says will boost budget deficits as well as health care costs. Congress should not further undermine the financial position of the federal government and should fully consider the implications of how far off the Administration's economic assumptions have been.

For example, last January top Administration economists projected that the unemployment rate would not exceed 8.0 percent if the stimulus were enacted, but this rate is currently 9.5 percent and will probably be above 10 percent by the end of the year. Similarly, the Administration projected that GDP will decline by 1.2 percent in 2009, less than half as much as forecast by the Blue Chip consensus. Clearly, the stimulus is not having the positive impact assumed in the Administration's forecast.

Gross domestic product declined 5.5 percent in the first quarter of 2009. According to the Blue Chip consensus, the economy is forecast to decline 1.8 percent in the second quarter of 2009, and then increase by 1.0 percent in the third quarter and 1.9 percent in the fourth quarter.

Consumption spending increased 1.4 percent in the first quarter. More recent monthly data show that consumption spending slipped in March and April and edged up 0.2 percent in May. Many households are under severe financial pressures from heavy debt burdens and the lower values of their homes and equity investments. Temporary additions to disposable incomes from the stimulus are not significantly boosting consumer spending, which is unlikely to be a driving

source of economic recovery. As households continue to pay down debt for the next several years, consumption growth will likely be constrained.

Instead, higher business investment will be needed to return to healthy economic growth. However, business investment has collapsed in recent quarters. One important component of business investment, equipment and software spending, dropped 33.7 percent in the first quarter of 2009. The prospect of higher taxes and federal spending, more intrusive regulations, and higher inflation in the future all undermine the likelihood of a strong rebound in business investment needed for adequate economic growth.

I would also suggest that the potential influence of politics in the Census Bureau should be curtailed. Many of us were alarmed earlier this year by reports that the White House was seeking to directly oversee the Census Bureau in connection with the 2010 Census. I continue to believe that political and ideological groups such as ACORN should have nothing to do with any process leading up to the decennial census. The Census Bureau is an important national resource and its statistical integrity must be protected from potential political pressures.

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