CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CONGRESSMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
April 8, 1999

Press Release #106-23
Contact: Daniel Guido
(202) 226-0603

HIGH EUROPEAN UNEMPLOYMENT ROOTED IN BURDEN OF GOVERNMENT POLICIES

WASHINGTON, D.C. – The tendency of European unemployment rates to be well above that of the United States is explained largely by differences in government policies, according to a new Joint Economic Committee (JEC) study released today by Congressman Jim Saxton. The study finds the deadweight losses of significantly higher taxes, higher levels of government spending, and intrusive labor market intervention result in a significant drag on economic and employment growth.

These findings underscore the need for policy discussions now underway in Germany and a number of other European nations on how to reduce the burden of government policies on the economy. The new JEC study, *Unemployment and Jobs in International Perspective,* analyzes the relative changes in patterns of unemployment for 24 nations, focusing on the advanced industrial countries.

“The strong economic and job creation performance of the United States in the last two decades relative to other nations is largely a result of more growth-oriented U.S. policies,” Saxton said. “While our own policies over the long run have not been perfect, they have avoided many of the inappropriate policies that have mired other economies in virtual stagnation or weak job growth. There is no reason for complacency in U.S. policy, but by avoiding the excessive taxation and other government burdens imposed in some foreign economies, U.S. policy-makers can at least avoid making some of the same mistakes. One implication of this study is that policy-makers should relieve the burden of taxation, government spending and regulation whenever feasible to improve the economic environment.

“The superior dynamism and flexibility of the U.S. economy and labor markets are related to the traditionally less interventionist and intrusive role of government policy. In general, though the size of the government in the United States is somewhat larger than economically optimal (measured as a share of total output), it is not nearly as excessive as in many of the European nations. Unfortunately, the rigidity and inflexibility of the economies and labor markets in many of these countries is a significant drag on national output and undermines job growth, resulting in much higher rates of unemployment.”

For more information on the welfare state and the optimal size of government, please visit the JEC website at http://www.house.gov/jec/.

###