



Joint Economic Committee  
Senator Charles E. Schumer  
Chairman



## **Budget Statement of Sen. Charles E. Schumer Humphrey-Hawkins Budget Debate Time March 21, 2007**

Mr. President, today we're going to begin putting the nation's fiscal house back in order and getting our economic policy priorities straight.

For the last six years we have been governed by a shallow economic strategy guided by deep and indiscriminate tax cuts. That strategy has produced burgeoning budget deficits, mediocre economic performance, and a serious global trade imbalance.

My colleagues and I on this side of the aisle have a different policy vision. We believe that the middle class is the backbone of the country and that when you pursue policies that help the middle class feel confident about their economic future you produce a strong economy capable of meeting just about any challenge.

We have not had those kinds of policies or that kind of economy over the past six years. The economy went through the most prolonged jobs slump since the 1930s as it struggled to recover from the 2001 recession. While the economy was growing, it was not producing jobs.

In the summer of 2003 job creation began to turn upwards again, but not as rapidly as we were used to in past economic recoveries.

Something was still missing -- growth in real wages. In the past, increased productivity meant real wages increased. In recent years, American workers have continued to be remarkably productive. However while output per hour grew 18 percent from 2001 through 2006, after adjusting for inflation, workers' pay and benefits grew only half as much—8.7 percent.

Even that modest growth in compensation came much more from benefits than from wage. And it is not that employers were becoming more generous in providing benefits. To the contrary, benefit costs have been increasing because health insurance costs are rising and employers have had to make contributions to restore the solvency of their pension plans. Those higher benefit costs squeezed take-home pay, but workers have not been getting more generous benefits in return. They are shouldering more of the burden for their health insurance and their pensions remain in jeopardy.

So where have the benefits from economic growth been going? They have been going to profits and the salaries and bonuses of top executives. Profits as a share of national income are at an all-time high and incomes at the very top of the distribution have been soaring. At the same time middle class families and families striving to get into the middle class have been struggling to get ahead.

I wish I could say that businesses have been investing their profits to make the economy grow, but another remarkable feature of the current economic recovery is how slowly business investment is growing relative to profits. Business profits have been flush but businesses' investment spending has been weak.

There hasn't been any real trickle down from the President's huge tax cuts to the rest of the economy. We had a small growth spurt for a couple of years but the most recent economic news paints a picture of an economy that is growing at a pace below its long-term sustainable potential.

The main results of the President's tax cuts have been larger budget deficits and reduced national saving. With less of our own saving, we are borrowing more from the rest of the world to support our current standard of living. The record current account deficit last year—the amount we had to borrow from the rest of the world to finance our trade deficit—was equal to a stunning 6.5 percent of our entire gross domestic product.

We are borrowing more than ever from the rest of the world and those debts will be paid back with interest from the income of our children.

The federal government is increasingly reliant on the rest of the world to buy our public debt and who knows what kind of financial crisis would ensue if the rest of the world decided that they no longer want to hold such vast quantities of U.S. debt.

To conclude, Mr. President, it's no wonder that middle class families do not give President Bush much credit for the economy.

They are paying more for gas and utility bills, their health insurance and prescription drug costs are rising much faster than their pay, and college tuition costs are through the roof.

They see good manufacturing jobs disappearing and a wave of new competition from economies like China and India. They are also less likely to support expanded trade because they sense that the government is not on their side when it negotiates trade agreements, and they see that some of our largest trading partners regularly flout the rules of free trade.

And they see a federal government that doesn't pay its bills and is building up foreign debt that will be a burden on our children and grandchildren.

I want to commend Senator Conrad for crafting a budget resolution that gets us started on the road to recovery from these misguided policies. There is much work to do, but we are off to a good start with this budget resolution.