Joint Economic Committee
Representative Kevin Brady • Chairman

CHAIRMAN KEVIN BRADY

JOINT ECONOMIC COMMITTEE

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Economic Report of the President

Today we will hear testimony from Dr. Jason Furman, the Chairman of the Council of Economic Advisers, on the *Economic Report of the President* that was released on Monday. I thank Dr. Furman for testifying so promptly after the *Report*'s release.

Families on Main Streets across America are suffering from a disappointing economic recovery that still feels like a recession to them. Due to the alarming "Growth Gap" that describes the gap between the Obama recovery and other average recoveries of the past 50 years, America is missing 5.6 million private sector jobs and $1.3 trillion in real GDP from the economy.

Using the latest economic buzzword from the President's report, 'job years', we are also missing over 18 million private sector job years.

Wall Street is roaring, thanks to White House policies, but middle class families are being left behind. The S & P 500 total return index adjusted for inflation is up 98% since the recession ended but real disposable income per person has risen a mere 3.6%. To put it another way, under President Obama's economic leadership for every new dollar of disposable income a person receives, Wall Street has gained $27 dollars in value.

No wonder income inequality is a concern.

Clearly President Obama inherited an economic mess. The question before this Committee is whether 'staying the course' will close the alarming growth gap and provide real opportunity for middle class families and Main Street businesses left behind in this recovery?

In both the President's budget presented to Congress last week and the *Economic Report of the President,* it's clear the White House is stubbornly adhering to the current 'slow growth' policies that much of America has lost confidence in.

For example, using a Keynesian analysis that focuses solely on aggregate demand, the *Report* asserts that the *American Recovery and Reinvestment Act* added about two percent to real GDP between the fourth quarter of 2009 and the second quarter of 2011. Many economists disagree. For example, John Taylor found that the stimulus had little positive effect.

The *Report* praises infrastructure investment – which has bipartisan support—yet ignores the President's decision to block a major, privately funded infrastructure project—the Keystone XL pipeline.

The *Report* lauds the Administration's success in promoting alternative energy but ignores the shocking waste of precious taxpayer money to failed companies like Solyndra and others.

Ironically the *Report* claims credit for increasing oil and natural gas production while ignoring the fact that this occurred on private and state lands while the White House has further restricted access to public lands.

Moreover, the *Report* fails to acknowledge the harmful effects from the White House's regulatory onslaught against American business – and does the same for President Obama's insistence at the end of 2012 on higher taxes on small businesses and successful Americans as a condition of renewing middle-class tax relief.

Not surprisingly, policy uncertainty remains unprecedentedly high four and a half years into this disappointing recovery.

The *Report* makes a great effort to blame congressional Republicans for the fights over increasing the debt ceiling and the temporary government shutdown which created more policy uncertainty, but ignores the even larger uncertainty the White House has created with the call for higher taxes, less American-made energy, burdensome regulation and the President's Affordable Care Act.

The *Report* observes that business fixed investment has been unusually weak – which this committee has been highlighting for some time.   Indeed, real fixed business investment finally reached its fourth quarter 2007 level in the most recent report on GDP.

The *Report* asserts, "The pace of growth of business fixed investment is puzzling because of interest rates are low and internal funds available for investment are high."

The reason for this weakness is staring the CEA (Council of Economic Advisors) in the face. Economic growth is a function of both supply and demand, yet the *Report* focuses on aggregate demand.

Businesses don't make investment decisions based solely on their assessment of future demand. They also consider cost. Supply-side factors such as taxes and regulations are at least as important as demand-side factors.

This Administration has increased both the expected after-tax cost of new business fixed investment and heightened uncertainty. It was entirely predictable that sluggish business fixed investment would produce a weak recovery. Is no one at the White House listening to local businesses? They've been telling you this for years – and continue today.

I'll conclude with this. While the *Report* identifies issues worth a thoughtful, bipartisan discussion, too much energy is again wasted attempting to shift the blame for this anemic recovery to anyone or anything other than the leadership of this White House and this President.

The Report impugns a variety of headwinds from droughts to the Euro-crisis. However, other Presidents—Kennedy, Reagan, and Clinton for starters - overcame the headwinds of their time and achieved superior economic results for American families and businesses.

President Obama has an opportunity to do the same. I urge him to work with Congress to grow the economy in ways that have been shown to work.

Chairman Furman, I look forward to your testimony.