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

April Employment Situation

I am pleased once again to join in welcoming Dr. Hall before the Committee this morning.

Today's report is mixed news for American workers and their families. On the one hand, payroll employment increased by 224,000 after excluding 66,000 temporary Census jobs. On the other hand, the unemployment rate rose to 9.9 percent. The number of long-term unemployed workers reached an all-time high of 6.7 million, and the long-term unemployed as a percent of all unemployed workers also reached an all-time high of 45.9 percent.

A painfully slow job recovery is better than no recovery, but for the 15.3 million Americans who are out of work and waiting for Washington Democrats to finally focus on jobs, this report is disheartening. At this slow pace it will take much of the decade to return to normal employment levels.

Consumers and businesses are increasingly concerned that runaway government spending and a dangerous level of debt could lead America down the path on which Greece has now found itself. Further hindering America's recovery are small businesses reluctant to hire workers while Congress is demanding new taxes, higher energy prices and more expensive health care costs. Right now, Washington is standing firmly in the way of America's recovery.

Although real GDP grew at an annual rate of 3.2 percent in the first quarter of 2010, nearly half of this growth was due to a one-off restocking of inventory. Real final sales, which are a better measure of the underlying trend in real GDP than the headline number, rose by only 1.6 percent in the first quarter of 2010.

In line with this modest growth trend, the most recent Blue Chip consensus forecast of private economists predicts that real GDP will grow by 3.1 percent in 2010, while payroll employment will increase by an average of 117,000 per month in 2010. Unfortunately, such slow growth in payroll employment means that the unemployment rate will remain elevated. Indeed, the Blue Chip consensus forecast predicts that the unemployment rate will still be 9.4 percent in the fourth quarter of 2010.

At the same point in recoveries from comparable severe recessions, the Reagan recovery of 1981-82 was three times as strong in job creation and nearly twice as strong in real GDP growth as the current recovery.

That is explained by vastly different economic policies. The economic policies of the federal government can be either a tailwind accelerating real GDP growth or a headwind slowing it down. President Reagan pursued pro-growth policies including large reductions in marginal tax rates, deregulation, and trade liberalization. Combined with the disinflationary monetary policies under Federal Reserve Chairmen Paul Volcker and Alan Greenspan, Reagan laid the foundation for two decades of prosperity.

In contrast, President Obama and Congressional Democrats have pursued largely anti-growth policies that have hindered this recovery. Businesses are delaying critical hiring, investment and expansion decisions based on costly mandates, premium increases, and higher taxes from the implementation of the recently passed health care legislation and their uncertainty over "cap and trade," "card check," financial services reform legislation, and other regulatory initiatives.

Private businesses create more than four out of every five jobs in the United States. Instead of providing encouragement, President Obama and this Congress have given entrepreneurs reason to worry.

Yesterday, the U.S. stock market fell by more than 3.2 percent on widespread fears that the Greek debt crisis would spread to Ireland, Italy, Portugal, and Spain, which also have high levels of government deficits and debt. In 2009, central government budget deficits in these countries collectively known as the PIIGS ranged from 4.1 percent in Italy to 16.3 percent in Greece, while gross central government debt ranged from 41.2 percent in Spain to 125.7 percent in Greece.

After years of reckless spending, Greece was forced to seek a bailout from the IMF and other European countries. Now, the Greek government must slash spending. The dashed expectations among the Greek public for government salaries, pensions, and other benefits have provoked strikes and riots, causing three deaths.

However, there is another country whose government budget deficit and debt could readily reach the alarming levels found in the PIIGS. Unfortunately for the American people that country is the United States.

According to the CBO, the federal budget deficit will be 10.3 percent of GDP in fiscal year 2010 and the publicly held federal debt will be 63.2 percent of GDP at end of fiscal year 2010. If the Democratic majority in Congress adopts President Obama's budget, however, the CBO projects that the federal budget deficits would exceed 4 percent in every fiscal year during the next decade, and publicly held federal debt would be 90.0 percent of GDP at the end of fiscal year 2020.

President Obama and Congressional Democrats are pursuing reckless fiscal policies that are clearly unsustainable. Unless their excessive spending, deficits, and debt accumulation are quickly reversed, the United States may experience its own debt crisis. We are putting the future of our children and grandchildren in grave jeopardy. Unlike Greece, however, no one will be around to bail us out.

Dr. Hall, I look forward to hearing your testimony.

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