



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CONGRESSMAN KEVIN BRADY

RANKING REPUBLICAN HOUSE MEMBER



NEWS RELEASE

For Immediate Release
April 29, 2010

Press Release #111-32
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**STATEMENT OF
CONGRESSMAN KEVIN BRADY**

**Long-term Unemployment: Causes,
Consequences and Solutions**

I am pleased to join in welcoming today's witnesses before the Committee.

Although many economic indicators show signs of a recovery, the employment situation remains dire. As of last month, 15 million Americans were out of work for an unemployment rate of 9.7 percent. Moreover, 44.1 percent of the unemployed have been out of work for 27 weeks or longer, which is an all-time high.

Given these grim employment statistics, I thank the Chair for convening this hearing on long-term unemployment. I agree with many of the things that today's witnesses have to say.

Long-term unemployment presents Congress with two distinct challenges:

- First, what policies will boost economic growth, entrepreneurship, and business investment in the private sector so that rapid job creation will slash unemployment?
- Second, how does America successfully address the mismatch between skills and jobs – both today and in the future? Too many of our long-term unemployed have limited education and skills, while the high-paying jobs they are seeking require higher levels of both.

Ms. Furchgott-Roth, your written testimony is such a comprehensive indictment of the economic policies of President Obama and this Congress that there is little to add. To accelerate economic growth, create millions of new jobs and address the Obama unemployment bubble, we need to restore America to the best business climate in the world in which to invest, innovate, and produce.

To do that we must admit America has fallen behind. Other nations have taken a page from our successful playbook and have attracted U.S. companies and jobs by lowering taxes, rewarding investment, and recruiting research and development facilities.

To restore our economic strength the United States must lower its punitive taxes on business investment. Countries around the world have been slashing their corporate income tax rates to stimulate job-creating business investment while the United States has largely stood pat. In 1990, our average combined federal and state corporate income tax rate was 6 percentage points lower than the average in other OECD countries. We were leading our competitors. Today, it is 9 percentage points higher – and now we are losing out to them.

The same goes for incentivizing research employment in America. In 1981, realizing the importance of research and development for technological leadership and economic strength, the United States enacted the R&D tax credit. At the time we were leading the world. Seeing the benefits, other countries have enacted more generous R&D tax credits and created incentive packages for U.S. companies to relocate these critical jobs elsewhere – and now we are losing out. This Congress stood by while our R&D tax credit expired last year. We need to restore, modernize and expand that tax credit immediately and permanently or watch as the exodus of American research workers overseas accelerates.

Misguided and harmful proposals by this White House and Congress - during an economic recession of all times – to levy hundreds of billions of dollars in higher taxes on capital gains, dividends, income, U.S. energy production, inventories, and U.S. businesses reaching customers around the globe will only ensure America will fall further behind its international competitors and fall further behind in creating the types of high-paying jobs that will help solve our long-term unemployment crisis.

If these job killing tax increases become law, America will have tragically gone from “first-to-worst” in business climates among the world’s largest economies.

Instead, we should boldly strive to create the best business climate in the world for 21st century jobs by reducing the federal corporate income tax to no more than 25 percent, modernizing and making permanent the R&D tax credit, eliminating taxes on dividends and capital gains, and reforming our international tax code.

The United States must also seek new customers around the world by ratifying this year the three pending free trade agreements with Colombia, Panama, and South Korea that represent \$13 billion in new sales abroad and 250,000 new high-paying jobs here in America.

Then, to ensure our companies and workers don’t fall further behind in the global marketplace, Washington should renew Trade Promotion Authority, conclude a meaningful Doha Round at the World Trade Organization, and aggressively negotiate new free trade agreements beginning with the Trans-Pacific Partnership.

Shifting gears, Dr. Katz, I would like to thank you for your research identifying skill-biased technological change due to the rapidly falling cost of computers and computer-driven machinery as the major cause for the growth of income inequality in the United States since the 1970s. Skill-biased technological change is a global phenomenon that has widened the income gap in developed and developing countries alike.

Your research indicates that to address the mismatch between jobs and skills, we must improve the educational attainment and skills of our workforce. To compete and win in the global economy, the needs of our children in public schools must come first. We should sweep away wasteful layers of education bureaucracy, redirect tax dollars to classrooms, and free principals to manage their schools.

We must also focus on the needs of young adults entering college and workers seeking continuing education or retraining - not on the needs of politicians, union leaders, or bureaucrats. Our current federal retraining programs are too often slow, bureaucratic, and driven by special interests rather than the workers. With a worker-driven program, our colleges, universities, and training centers can help both current and future workers improve their skills to qualify for high-paying jobs.

At the end of the day, the greatest affirmative action program yet invented is a good, solid education.

I look forward to today’s discussion.

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