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Opening Statement
Senator Jack Reed
Joint Economic Committee Hearing
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Thank you, Chairman Saxton. I want to welcome Chairman Bernanke, who I hope will give us useful insights on current economic conditions and where he thinks the President's policies are taking us. I am also pleased that we will have a second panel of witnesses to give us further perspectives on the economic outlook.

Like many Americans, my concerns about the economic outlook and the administration's stewardship of the economy have grown in the wake of Hurricane Katrina. Economic insecurity for workers is widespread as energy prices are soaring, employer-provided health insurance coverage is falling, private pensions are in jeopardy, and American workers are still waiting to see the benefits of the economic recovery reflected in their paychecks.

President Bush's tax cuts were poorly designed to stimulate broadly shared prosperity and have produced a legacy of large budget deficits that leave us increasingly hampered in our ability to deal with the host of challenges we face. The devastating impact of Hurricanes Katrina and Rita will put short-term strains on the federal budget – strains that would be fairly easy to absorb if our budget and economic policies were sound, but they are not. The President's goals of making his tax cuts permanent and cutting the deficit in half are simply incompatible.

Large and persistent budget deficits also have contributed to an ever-widening trade deficit that forces us to borrow vast amounts from abroad and puts us at risk of a major financial collapse if foreign lenders suddenly stop accepting our IOU's. The trade deficit of \$59 billion in August is close to the record for a single month of more than \$60 billion set in February. The broader current account deficit, which measures how much we are borrowing from the rest of the world, is running at a record annual rate of nearly \$800 billion, or well over 6 percent of GDP.

I will be interested in Chairman Bernanke's views on whether the budget and trade deficits are dangerous imbalances that pose a risk to the economic outlook. But I am also pleased that we will be able to hear Dr. Setser's views, which may be somewhat different.

I hope that we would all agree that raising our future standard of living and preparing adequately for the retirement of the baby boom generation require that we have a high

level of national investment and that a high fraction of that investment be financed by our own national saving—not by foreign borrowing. We followed such prosperity-enhancing policies under President Clinton, but that legacy of fiscal discipline has been squandered under President Bush.

Sound policies for the long run are clearly very important, but I am also deeply concerned about what continues to be a disappointing economic recovery for the typical American worker. Strong productivity gains have shown up in the bottom lines of shareholders but not in the paychecks of workers. The typical worker's earnings are not keeping up with their rising living expenses. And both earnings and income inequality are increasing.

Instead of addressing these problems, the President's policies seem to be piling on. It's certainly hard to take seriously the President's rhetoric about wanting to lift families out of poverty when he has refused to support an increase in the minimum wage and he has lifted the Davis-Bacon Act, thereby legitimizing sub-par wages for workers rebuilding their communities in the hurricane-stricken Gulf Coast region.

And even though home heating costs are expected to skyrocket this winter, President Bush has said he will not request additional funds for the Low Income Home Energy Assistance Program, known as LIHEAP. Together with Republican Senators Susan Collins and Olympia Snowe, I have offered an amendment to increase LIHEAP by \$3.1 billion, so that low-income Americans won't be left out in the cold this winter. I would like to know if the Administration is willing to reconsider its position on providing additional LIHEAP funds and if not, why not?

It seems to me that the President's compassionate words hardly match his administration's actions. Now is not the time to cut funding for important programs such as LIHEAP and Medicaid that support working families and seniors, while the President continues to push for irresponsible tax breaks for those who are already well-off.

I look forward to Chairman Bernanke's testimony about the economic outlook, and I will listen with interest to anything the Chairman and our witnesses can tell me that will allay my concerns about that outlook.

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