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Opening Statement
Senator Jack Reed
Joint Economic Committee Hearing
February 16, 2006

Thank you, Chairman Saxton. I want to welcome Dr. Baicker and Dr. Slaughter from the President's Council of Economic Advisers, and thank them for testifying here today.

This year's Economic Report of the President is an interesting collection of chapters on various economic issues. I have to commend the President's council members for finding a silver lining for every dark cloud over the economy. Indeed, the Wall Street Journal noted this week that the President's report struck "a more optimistic tone than many economists" and observed that "the U.S.'s rock-bottom personal-saving rate and record trade deficit aren't major worries" for the White House.

There is another curious disconnect between the analysis in the report and the President's policy priorities. The report does analyze many key aspects of the U.S. economy, but it reveals little about how the President's policies would actually help average families or bring down the deficit.

The centerpiece of the President's message to Congress is the benefits of making his tax breaks for the wealthiest permanent, yet there is no analysis in the report to justify the claim that taxes are too high and are hurting the economy. In fact, the chapter on taxes shows something that has been true for a long time—the United States has a relatively low tax burden compared with other developed countries.

The report tells us why energy prices are high, but we see no proposal from the President to bring relief to the majority of American households who find their budgets squeezed by rising energy costs on the one hand, and stagnation in their take-home pay on the other.

The President's report extols the benefits of trade, but the focus is on the long run. While the report acknowledges that 'any job loss involves hardship, and any job change can involve challenge,' the President has no meaningful plan to address the problems of those who are hurt by trade.

A whole chapter is devoted to the large U.S. international payments imbalance and low national saving rate, including an acknowledgement of federal government dissaving

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as the federal budget balance went from a surplus equivalent to 2.4 percent of GDP in 2000 to a deficit equivalent to 3.6 percent of GDP in 2004. But President Bush's FY 2007 budget proposals would increase the size of the deficit rather than reduce it.

The one area where the President's policies do reflect the Administration's philosophies is health care. The Administration seems to believe that Americans have too much health care coverage, so they plan to cut Medicare spending and also move toward making consumers finance care below a catastrophic, high-deductible limit.

The President's budget slashes Medicare spending by $36 billion over the next five years by cutting funding for hospitals and other providers, inflicting pain on the nation's elderly without solving the problem of the growing cost of health care. Similarly, the President's "consumer-driven" health care proposals would do little to reduce the number of uninsured, lower costs, or improve the quality of coverage. If the chaos surrounding the Administration's Medicare prescription drug plan is any indication of how the President's health care proposals will play out, I think the public should be very concerned about this approach.

Unfortunately, middle- and lower-income families are paying the price for the President's tax cuts for the wealthiest, as programs that help ordinary Americans cope with economic or health insecurity have become candidates for budget cutting.

I look forward to our discussion of this report and the economic outlook.

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