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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 Greenspan and thank you for testifying here today at a time when there are so many genuine puzzles about the direction of the American economy.

Chairman Greenspan, you have been rather upbeat about the economic outlook, and let me be the first to say that I hope you're right. However, I am concerned about what continues to be a disappointing economic recovery for the typical American worker. Economic insecurity for workers is widespread as a healthy jobs recovery has yet to take hold, wages are failing to keep pace with inflation, income inequality is growing, and private pensions are in jeopardy.

Job growth sputtered again last month when only 78,000 jobs were added, calling into question the strength of the labor market recovery. We still have not seen several consecutive months of solid job gains, which is disappointing 42 months into a recovery. At this point in the last recovery, the economy had created over four million more jobs than we have seen in this recovery, and we regularly saw gains of 200,000 to 300,000 and sometimes 400,000 jobs per month. Employers don't seem to have enough confidence in this recovery to pick up their pace of hiring.

Of course, the real disappointment in this recovery is how workers have been left out of the economic growth we have seen so far. Strong productivity growth has translated into higher profits for businesses not more take home pay for workers. Since the start of the economic recovery in late 2001, corporate profits from current production have risen by 67 percent. By contrast, employee compensation rose by only 17 percent. Since the economy started generating jobs in May 2003, the average hourly earnings of production workers in nonfarm industries have fallen by 1.4 percent after inflation. The stagnation of earnings in the face of higher prices for gasoline, food, and medical care is squeezing the take home pay of workers.

I hope that the Federal Open Market Committee is paying close attention to the labor market as they set the direction of monetary policy. Workers have been shortchanged so far in this recovery, and I believe that the economy should be able to accommodate some acceleration in wages to catch up to productivity growth without generating undue fears of inflation.

Any wage gains we have seen seem to be concentrated at the top of the earnings distribution, while the largest losses are at the bottom. As the *New York Times* noted this week, the distribution of earnings is also becoming so unequal that "Even the merely wealthy are being left behind in the dust by the small slice of super-rich Americans." I know,

Chairman Greenspan, that you have expressed concern about widening inequality of income and earnings in the American economy, so this development cannot be encouraging to you.

Another troubling development is how unstable the private pension system is becoming. Data released this week by the government's Pension Benefit Guaranty Corp. (PBGC) show that the country's 1,108 weakest pension plans had an aggregate shortfall of \$353.7 billion at the end of last year – 27 percent more than the previous year. Meanwhile, the PBGC itself is under-funded. Social Security does face long-term challenges, but at the moment it's looking like the strongest leg of our retirement system.

Raising national saving is the key to our economic growth, a good way to reduce our record trade deficit, and, as your past testimony reflects, the best way to meet the fiscal challenges posed by the retirement of the baby boom generation. Unfortunately, the President's large federal budget deficits are undermining national saving and leaving us increasingly hampered in our ability to deal with the host of challenges we face. The President's policy priorities of large tax cuts for those who are already well off and private retirement accounts that add to the debt and worsen Social Security's solvency would take us in exactly the wrong direction for the future.

Finally, there are real questions about whether today's workers can look forward to a future of economic prosperity or one of continued risk and uncertainty about whether they will have good jobs and the means to provide a comfortable standard of living for their families.

Chairman Greenspan, I look forward to your testimony about the economic outlook, and exploring some of these issues further with you in the questioning.

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