**SEN. JACK REED (RI)**
RANKING DEMOCRAT

SEN. EDWARD M. KENNEDY (MA)
SEN. PAUL S. SARBANES (MD)
SEN. JEFF BINGAMAN (NM)
REP. CAROLYN B. MALONEY (NY)
REP. MAURICE HINCHEY (NY)
REP. LORETTA SANCHEZ (CA)
REP. ELIJAH E. CUMMINGS (MD)

*Congress of the United States*
**Joint Economic Committee**
Democrats

109TH
CONGRESS

804 HART SENATE OFFICE
BUILDING
WASHINGTON, DC 20510-6602
202-224-0372
FAX 202-224-5568
www.jec.senate.gov/democrats

CHAD STONE
STAFF DIRECTOR

# Opening Statement
# Senator Jack Reed
# Joint Economic Committee Democrats/Democratic Policy Committee Economic Forum
# September 23, 2005

Thank you, Senator Reid. I want to welcome my colleagues and our distinguished panel of experts: Bob Rubin, Alan Blinder, Alice Rivlin, Roger Altman, Cecilia Rouse, and Bruce Bartlett. Thank you all for your participation here today at a time when we're embarking on our nation's biggest economic relief and reconstruction program since the New Deal.

Hurricane Katrina has dealt a serious blow to our nation and Hurricane Rita is battering the Gulf Coast again, but the American people are resilient and so is our economy. To be sure, the devastating impact of Hurricane Katrina, and now possibly Rita, will put short-term strains on the federal budget. Those strains would be fairly easy to absorb if our budget and economic policies were sound, but they are far from that. Instead, a long-term budget and economic disaster looms if we don't take a hard look at the challenges we face and focus our policies on meeting those challenges. In fact, Katrina has raised the bar by revealing the extent of our problems with poor emergency preparedness, neglect of critical infrastructure investments, and, sadly, neglect of our most disadvantaged citizens.

The right response to the challenges new and old we face in the wake of Hurricane Katrina is to reexamine policies that have failed to address so many important problems. One would think that with deficits as far as the eye can see and an open-ended commitment to rebuilding Iraq and now the Gulf Coast, we would see a major shift in the administration's priorities. Unfortunately, it looks like business as usual at the White House. There continues to be a deafening silence on the questions: what will these commitments cost, and who will pay for them?

The President's large and growing federal budget deficits leave us increasingly hampered in our ability to deal with the host of challenges we face. The American people know these policies cannot continue. Some may be surprised by the findings of a recent CNN poll, showing that Americans are now more willing to see an increase in taxes than to see further increases in the deficit,. 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.

The country cannot prosper in the long run with persistent large budget deficits and a large trade deficit. The budget deficit drains our national saving, which is necessary for higher incomes in the future. Financing our trade deficit leads to increasing international

-- more --

indebtedness. 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 under President Bush we have squandered the legacy of fiscal discipline that was created in the 1990s. Several of the experts here today were instrumental in crafting the sensible Clinton-era policies that unleashed an economic expansion that led to the most broadly shared prosperity in a generation, and we are counting on them for good advice about re-directing the nation's economic policy priorities.

Sound policies for the long run are clearly important, but I am also deeply 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, employer-provided health insurance coverage is falling, and private pensions are in jeopardy.

Workers have been left out of the economic growth we have seen so far in this recovery. Strong productivity growth has translated into higher profits for businesses not more take home pay for workers. The stagnation of earnings in the face of soaring prices for gasoline, home heating, food, and health care is squeezing the take home pay of workers.

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. Over the past four years, average household income has fallen for all income groups except a small slice at the very top of the distribution. Those developments stand in sharp contrast to what happened in the 1990s, when wage and income gains were strong for all income and earnings groups

In a sad twist of fate, the Census bureau released data showing that the tide of poverty had risen for the fourth consecutive year on the same day that the levees broke in New Orleans, claiming or stranding many of its poorest citizens. The truth about poverty in America became inescapable that day.

As many families know, a handful of common setbacks – such as a layoff or illness – can be financially devastating and send a family tumbling out of prosperity. And in today's increasingly competitive, technology-driven global market, U.S. workers without good education and training will be at a disadvantage and their wages and incomes will be held down by international competition and immigration, even if overall economic growth is good.

It's becoming clearer that economic pessimism is rising in America because the recovery is not lifting all boats. Indeed, Hurricane Katrina has shined a spotlight on the economic and social disasters that the current Administration has turned a blind eye to.

It may not be easy to get our economic and budget policies back on track, but we have a panel here today with the talent and experience to give us expert guidance. I hope we can generate some good ideas about how to restore fiscal discipline, while creating more broadly shared prosperity.

# # #