

**REP. PETE STARK (CA)**

SENIOR DEMOCRAT

REP. CAROLYN B. MALONEY (NY)

REP. MELVIN L. WATT (NC)

REP. BARON P. HILL (IN)

SEN. JACK REED (RI)

SEN. EDWARD M. KENNEDY (MA)

SEN. PAUL S. SARBANES (MD)

SEN. JEFF BINGAMAN (NM)

108TH CONGRESS

804 HART SENATE OFFICE  
BUILDING  
WASHINGTON, DC 20510-6602  
202-224-0372  
FAX 202-224-5568  
[www.senate.gov/~jec/democrats](http://www.senate.gov/~jec/democrats)

WENDELL PRIMUS  
STAFF DIRECTOR

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

**Opening Statement**  
**Representative Carolyn B. Maloney**  
**Joint Economic Committee Hearing**  
**February 10, 2004**

Thank you, Chairman Bennett. I also want to thank you for holding this hearing, which continues a JEC tradition of having the Council of Economic Advisers present and discuss the Economic Report of the President. I want to welcome Dr. Mankiw, as well as Drs. Forbes and Rosen.

This is a big report with a slick cover and a lot of chapters. But there seems to be an important chapter missing – the chapter that explains why it's good economic policy to lose over 2 million jobs and to completely squander the climate of fiscal discipline that President Bush inherited. As the *New York Times* recently noted, Republicans have become a band of "budget buccaneers" lacking any fiscal integrity.

The President makes the hollow promise to cut the budget deficit in half in five years, but the Administration clearly has no serious plan to address the deficit, which is projected to be \$521 billion in 2004. While it is true that both the Administration and the Congressional Budget Office estimate that the deficit will fall as a share of GDP over the next five years with no new policy changes, long-range projections show that this is a temporary improvement and budget deficits will explode with the retirement of the baby boom generation. The Administration's proposed policies make the five-year deficit worse than it would be with no policy changes. Moreover, making all of the President's tax cuts permanent will seriously worsen deficits beyond 2009. This is hardly a picture of fiscal discipline.

The Administration's budget submitted last week really should be graded incomplete for omitting many likely policy changes and presidential policies that will make the deficit even worse. For example, it leaves out funding for Iraq and Afghanistan, the costs of fixing the Alternative Minimum Tax, and the true costs of the President's vision to send humans to Mars and privatize Social Security. And while the Bush budget continues to include large and unaffordable tax cuts, the Administration's unwillingness to provide budget figures beyond 2009 hides the true costs of those tax cuts.

The Administration continues to argue that our nation's fiscal deterioration is due almost entirely to events beyond its control – mainly the economic recession and executing the war on terrorism. But the facts are that the tax cuts already passed are responsible for a third of the deterioration in the budget outlook for 2004 and 2005. If the tax cuts were to be made permanent, this share would only increase over time.

– more –

Dr. Mankiw is on record in his textbook and academic research as arguing that persistent large budget deficits are harmful to the economy. I would be interested in knowing what advice you've given the President with respect to these ballooning deficits.

There's another deficit that I'm concerned about – the jobs deficit that President Bush has presided over. A year ago, the Administration estimated that nearly 2 million jobs would be added in the second half of 2003 – 510,000 of them due to the President's tax cuts. In fact, less than 200,000 jobs were created during that period. To its credit, the Economic Report of the President acknowledges that job performance has been disappointing. On page 48, the report says, "Indeed the performance of employment over the past couple of years has been appreciably weaker than in past business cycles...[It] has lagged even that of the so-called 'jobless recovery' from the 1990-91 recession."

Indeed, President Bush is on track to be the first President since Herbert Hoover to end his term with fewer jobs than when he started. We've been gaining jobs slowly since August, but at the pace we've seen so far, it would take nearly 2½ years to erase the current jobs deficit. President Bush would end his term in January 2005 with a deficit of nearly 1½ million jobs. Job creation would have to average 186,000 jobs per month from February 2004 to January 2005 just to erase the current 2.2 million Bush jobs deficit completely. We're a long way from that and even farther away from full employment.

References to foreign outsourcing in the ERP and Dr. Mankiw's comments on the topic have not been well received here on Capitol Hill. We need to know how much the President's tax and trade policies have contributed job losses over the last three years. We also need to see this Administration demonstrate more compassion to the workers who have been hurt by this trend.

House Democrats last week forced the passage of legislation that would restore temporary federal unemployment insurance benefits that President Bush and the Republican-controlled Congress allowed to expire at Christmas. Following the 1990-91 recession, the administration of President Bush's father provided 20 weeks of temporary federal UI benefits in all states until 1.6 million jobs had been created. While the President has pledged to extend his tax cuts, he has no plans to extend jobless benefits for the long-term unemployed. This is hardly a picture of compassionate conservatism.

In short, this year's Economic Report of the President ignores the biggest issues before us – the jobs deficit and the budget deficit.

I look forward to Dr. Mankiw and his colleagues' testimony, and I hope you address the concerns I've raised.

###