



Joint Economic Committee  
Senator Charles E. Schumer  
Chairman



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**SCHUMER: BUSH ECONOMIC REPORT  
PAINTS ROSY PICTURE; IGNORES IMPACT  
OF TRADE DEFICIT, LOW SAVING RATE  
AND HIGH HEALTH CARE COSTS**

***JEC Chairman: “We Need to Shift Focus So That Working Americans Start To Feel As Good About Our Changing Economy As Those at the Very Top Do”***

Washington, D.C. – **Sen. Charles E. Schumer**, Chairman of the Joint Economic Committee, today released the following statement about the 2007 Economic Report of the President:

“We can’t just put on a happy face and cross our fingers that wages will grow, trade deficits will shrink, savings rates will rise, and health care costs will slow as this administration is doing. We need to shift focus so that working Americans start to feel as good about our changing economy as those at the very top do. Only then will we have the economy we need to help us maintain our global leadership.”

*A preliminary Joint Economic Committee analysis of the key chapters of the Economic Report of the President report follows:*

**Bush Administration to American Workers: “Don’t Worry, Your Pay Will Catch Up to Your Productivity”**

The Economic Report of the President presents an upbeat picture of our recent economic performance, implying that the problems which produced the most protracted jobs slump since the 1930s, sluggish real wage growth, and widening inequality are now behind us. Buried in the Report, however, is an acknowledgement that negative personal saving and government budget deficits have produced a very low net national saving rate and that the share of employee compensation (wages and benefits) in national income has fallen while the share of profits is at an all-time high. The Report argues that these problems will right themselves, but the President’s policies do nothing to encourage more national saving or to see that the benefits of economic growth are spread more widely.

## **Bush Administration Continues to Ignore Record Trade Deficits, Disruptions Faced by American Workers**

The Economic Report of the President does not address the trade deficit, which is expected to surpass 2005's record \$717 billion for 2006. Rather, there is a chapter on "International Trade and Investment" emphasizing the advantages of open trade and investment. The chapter merely pays lip service to the disruptions and dislocations that can take place in the short run and the anxiety and sense of insecurity that many Americans feel in the face of growing international competition.

The Report argues for the importance of renewing Trade Promotion Authority and successfully completing the current round of trade talks. It does not talk about the kinds of policies that will be necessary to reassure the average American family that it can expect to share in the benefits of more open international markets.

## **Bush Administration Wants Individuals, States and Health Care Providers to Cover the Tab for Rising Health Care Costs**

In the report, the President's advisors justify the health care proposals he unveiled in the State of the Union Address and the budget—a health insurance deduction that replaces the traditional employer-sponsored insurance deduction, and \$101.5 billion in reduced spending on Medicare and Medicaid (over five years). Neither policy initiative gets at the root of today's health care crisis – rapidly escalating costs. Since 2000, health care premiums have risen 87 percent, five times the rate of inflation. Instead, the administration's reforms would pass the tab of rising costs on to individuals, states, and health care providers:

- The proposed health insurance deduction would weaken traditional employer-sponsored health insurance, which benefits 175 million Americans, by extending the current tax incentive for such group coverage to coverage in the more costly (and risky) individual market. The plan would likely encourage more employers to drop coverage, throwing more people into the individual market before necessary reforms of that market are in place.
- Instead of reducing over-payments to private managed care plans that enroll Medicare beneficiaries in order to curb costs, the administration has budgeted \$75 billion in reduced payments to Medicare, largely achieved by cutting reimbursements to health care providers like hospitals and nursing homes which are already running at low operating margins. The administration also plans to cut \$26 billion from Medicaid largely by lowering federal matching funds, which will force states to absorb the cost burden.

*The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.*