Statement of Carolyn Maloney, Vice Chair
Joint Economic Committee Hearing
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Thank you, Chairman Schumer. I am pleased to welcome Director Orszag and our panel of witnesses to talk about the critically important issue of income instability and what we can do to help families manage the economic shocks they may experience.

As Director Orszag points out, wild swings in the overall economy have been tempered, but the same cannot be said for the economic circumstances of families trying to adapt to a dynamic global economy. The Congressional Budget Office (CBO) has looked at this issue and found that households experience significant ups and downs in their earnings and income from year to year, and the downside problem may be getting worse due to the forces of globalization and technological change. Not surprisingly, the income roller coaster is a particularly rough ride if you are less educated.

Our second panel of witnesses will touch on various proposals to address income instability. I know that they – like the members of this committee – will be coming at these issues from different perspectives, but I look forward to a serious policy discussion and competition among ideas. One idea that we will focus on today is wage insurance. Our Chairman is planning to introduce legislation on this issue, which will no doubt generate further useful debate about what is the best way to deal with the adverse side effects of economic change.

Dr. Brainard has offered a wage insurance proposal with her Brookings colleagues to provide economic incentives for more rapid reemployment and on-the-job training. I certainly agree with the goal, but not necessarily the game plan for getting there. As Dr. Brainard observes, our nation's safety net has "more holes than netting", which is why I think we should mend it before we make it bigger, as Mr. Emsellem urges. Wage insurance may well have a role to play, but implementing it should not come at the expense of shoring up the Unemployment Insurance system or Trade Adjustment Assistance, both of which are in dire need of reform.

Finally, CBO data show how the tax code can exacerbate the income volatility, especially for low-income taxpayers. Prof. Batchelder proposes novel changes to the tax code so that low-income families, whose incomes tend to fluctuate the most, could average their income over two years to smooth out variability, and enjoy similar tax advantages as businesses in their ability to shift unused deductions and exemptions.

As an aside, I want to note that CBO examined earnings and income volatility using the Survey of Income and Program Participation, the SIPP, a leading source of comprehensive data on the economic well-being of American families. Last year there was an effort by the Administration to eliminate the SIPP without having an adequate plan in place to collect this invaluable information. The status of the SIPP remains up in the air, and I hope, Director Orszag, that you will join the growing chorus of researchers and academics who have called on the Administration to preserve this survey until a better one can be designed and implemented.

I look forward to the testimony of our witnesses and their thoughts on policies that can help families better manage income instability.