JOINT ECONOMIC COMMITTEE

"The Employment Situation: February 2008"

March 7, 2008 – 9:30 a.m.
Room 628 Dirksen Senate Office Building

Statement of Chairman Elijah E. Cummings

Chairman Schumer and Vice Chairwoman Maloney are not able to attend today's hearing – but I am honored to lead the Committee's examination of our nation's employment situation.

The report we received this morning is frankly shocking. The report shows that our economy lost 63,000 jobs overall in February – but I note that private sector employment fell by 101,000.

At the same time, the unemployment rate fell by .1 percent to 4.8 percent. This fall in the unemployment rate – which is occurring at the same time as jobs are being lost – seems to be occurring because people believe that there are no job opportunities for them and they are simply dropping out of the labor force.

Last month, Dr. Hall told us that labor force numbers almost define the existence of a recession. I am eager to hear what Dr. Hall has to say about our economy given the terrible numbers we received this morning.

Frankly, I believe our economy stands poised on an uncertain cliff – threatening to throw our nation into a crisis. Sadly, however, many hardworking Americans across the country have already entered their own personal crises.

The traditional definition of a recession is two quarters of negative growth. Unfortunately, the difficulty in diagnosing a recession is that its existence can only be confirmed in hindsight when the data are seen to show that a slowdown has been definite and prolonged.

As a result, once we know we are in a recession, it's too late to prevent one.

However, we do not need to recite the litany of familiar data to confirm that our economy is struggling. One need only look to the millions of families who are struggling – obviously struggling to find jobs, struggling to keep their homes, and struggling to pay for gas and home heating costs.

Foreclosure filings have increased by 75% between 2006 and 2007.

According to the Mortgage Banker's Association, a higher percentage of mortgages are past due or in foreclosure than at any other time since the Association started tracking such data in 1979. And many experts fear that the peak in foreclosures has not yet been reached.

At the same time, nearly 8.8 million homeowners now owe more on their homes than the homes are worth. Another 41 million homes not facing foreclosure are estimated to be likely to experience declines in value.

Obviously, employment is falling – but for a prolonged period, wages have failed to keep pace with inflation.

Wage growth also continues to slow, breaking the historic relationship between increased production and real wage growth.

According to a report by the Joint Economic Committee, since late 2001, productivity has shown an average annual increase of 2.5 percent, but wages have experienced an average annual increase of just 1.2 percent after inflation.

This is particularly disturbing in light of skyrocketing prices for everything from food to gasoline and heating oil. In January, we saw the consumer price index rise by .4 percent. Oil prices climbed near $106 per barrel yesterday.

Families are also facing heating costs of more than $2,000 per household this winter—over three times the cost in 2001.

Unfortunately, while we debate the specific status of our economy, the data I just recited don't paint the real picture of people whose dreams too long deferred are now in danger of being completely destroyed.

Every day in my district in Baltimore, I see the desperate look of those who are watching the homes and the lives in which they invested their money and every ounce of their energy in danger of slipping from their grasps.

Our nation needs to do whatever is necessary to create an economy that works for our citizens.

Congress recently passed a stimulus package to try to help stave off the recession that may be coming. Although the package will offer some relief to millions of hardworking families, the stimulus package was missing critical provisions addressing unemployment benefits and food stamps.
Further, the package included nothing to support expanded investments in our nation – particularly in areas like infrastructure development, where investments create roads and public transit systems at the same time they create jobs.

Our nation’s top priority must be meeting the needs of our citizens – and investing in our success – and the recent stimulus package, much like the recent rate cuts by the Fed, is only a temporary patch.

We cannot continue to keep patching a lagging economy without also addressing the root causes of our problems – particularly the mortgage crisis.

The American people deserve better—and we can DO better.