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JEC ANNUAL REPORT SHOWS AMERICAN FAMILIES HAVE SEEN LITTLE OR NO IMPROVEMENT IN STANDARD OF LIVING OVER THE LAST SIX YEARS

Weak Growth, Reduced Investment, and Low Job Growth, Combined with Severe Housing and Credit Crisis Puts Economy on Shaky Footing

Schumer: President Bush Whistling into the Wind when it Comes to Addressing Economic Crises

Washington D.C. – U.S. Senator Charles E. Schumer, Chairman of the Joint Economic Committee (JEC) and Congresswoman Carolyn B. Maloney, Vice Chair of the JEC, today released the Committee's annual report. The President says his policies are working to make the economy strong and that all Americans are benefiting, but the facts show an economic record that has left the vast majority of American families behind. The JEC report concludes that the country needs a change in direction to get our economy back on the right track and to ensure that all American families share in our nation's growing prosperity.

"The Bush Administration continues to be content with the status quo, which benefits the upper class over the majority of Americans and sweeps problems that pose real dangers to the health of the economy under the rug," Schumer said. "Whether it be the subprime crisis, the credit crisis, the energy crisis, or the declining dollar, one thing is clear: this Administration is unable to get the government moving quickly, decisively, and competently to address a serious economic crisis. When it comes to the economy, President Bush is just whistling into the wind."

"By almost every measure, the Bush policies have produced the weakest economic recovery in four decades," said Maloney. "The economic indicators that matter most to families are going in the wrong direction. Job growth has been slow and too many Americans are being squeezed by paychecks that are barely keeping up with the rising cost of basic living expenses, so many families have actually lost economic ground in the Bush economy. The

President's policies have simply failed to deliver greater economic security and prosperity for most families. Democrats in Congress are working to get our economy back on track and give more Americans a chance to succeed."

During the last six years, the economy has performed in a lackluster fashion, without strong growth in output, investment, or employment. America's working families have seen little or no improvement in their standard of living during this time.

Highlights from the Report:

- The main indicator of the overall health of the U.S. economy, GDP growth, has been anemic during this economic recovery. Since the last economic peak in the first quarter of 2001, the economy has expanded at an annual rate of only 2.6 percent, about a third less than the 3.7 percent average growth rate of the three prior economic cycles of similar length.

- The driving forces behind GDP growth, investment growth and increased consumption, have stagnated under the Bush administration's tax and expenditure policy. Typically, non-residential fixed investment – gross business spending on productive capital stock, such as plants and equipment – has taken nine quarters to return to its pre-recession peak, but in this economic recovery it took 18 quarters, twice as long. Remarkably, 26 quarters into the current expansion, this measure of investment is only 12.0 percent above its pre-recession value, whereas the average increase over the previous three economic cycles was nearly four times as large (44.6 percent). Consumption growth has actually slowed, compared to prior trends, as the expansion has progressed.

- The Bush administration claims to have engineered "six years of uninterrupted job growth." However, upon closer inspection, rather than setting new standards for economic performance or even just maintaining economic and job growth, President Bush is competing with his father for the worst job creation record of any president since Herbert Hoover.

    - The economy has created only 5.9 million new jobs since taking office, an average of 72,000 new jobs per month. At this point in the Clinton administration, 20.2 million new jobs had been created, an average of 246,600 new jobs per month.

    - Since the peak in the first quarter of 2001, total non-farm payroll employment has increased less than 4.3 percent, less than one-third the rate of growth as over prior economic cycles, when employment grew by 14.6 percent

- The number of households with employer-provided health insurance has declined. Between 2000 and 2006, the share of people with employment-based health insurance fell from 64.2 to 59.7 percent and the share without health insurance is now at 15.8 percent, an all-time high. Even with the SCHIP expansion, there are more children without health insurance: from 2005 to 2006, the number of uninsured children increased from 8 million (10.9 percent) to 8.7 million (11.7 percent).

- Instead of spurring economic growth, the administration's tax cuts have helped to create a significant budget deficit and have done little for most American families who have seen their real incomes remain flat or decline over the past seven years.

    - Two thirds of all tax reductions went to households in the top 20 percent of the income distribution – i.e. to households with average 2007 incomes around $203,000.

    - According to the latest Census data (2006), mean household income remains 0.5 percent below where it had been in 2000 at the last economic peak.

- At the end of the last economic peak, as a result of the fiscal policies of the prior Administration, the federal government was running a consistent surplus for the first time in 42 years. Now, six and a half years into the current economic recovery, we confront a significant deficit – currently 98.2 billion dollars, equal to 1.2 percent of GDP

- Should the President's 2008 supplemental be approved in full, the total economic costs incurred for the war through 2008 will be approximately $1.3 trillion. Even if there is a considerable drawdown of troops in Iraq, but the occupation continues until 2017, the JEC estimates that the total economic costs of the war will reach at least $2.8 trillion for the entire 2003-2017 period.

Report Conclusions:

The Bush Administration's economic policies have produced a recovery that has been remarkably weak. The President's ill-designed tax policy has added to the deficit and exacerbated income inequality. Dramatic increases in defense spending for the war in Iraq have increased the budget deficit, which will have an impact on future generations. Instead of focusing spending increases on areas that would help economic growth in the long term, such as repairing and modernizing America's transportation and urban infrastructure, the administration financed a war that has already produced total economic costs exceeding a trillion dollars.

The subprime mortgage crisis, which has caused havoc in credit markets and significant disruption to the banking system, was the result of a failure to oversee financial markets effectively. These problems could have been avoided. The administration knew they were developing but chose to look the other way. The problems in credit and banking -- together with falling house prices – now threaten to reduce overall demand and tip the economy into a downturn. The vast majority of American families have not seen substantial economic gains during this business cycle expansion, and it is now more likely that they will be penalized by the effects of slower or negative economic growth. This is hardly an administration that has delivered on its economic promises.

The full report is available on our website at http://jec.senate.gov

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.

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