CONGRESS OF THE UNITED STATES
JOINT ECONOMIC COMMITTEE
CONGRESSMAN KEVIN BRADY
RANKING REPUBLICAN HOUSE MEMBER

NEWS RELEASE

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STATEMENT OF
CONGRESSMAN KEVIN BRADY

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April Employment Situation

I am pleased to join in welcoming Commissioner Hall before the Committee this morning.

The labor market data reported today reflect continued economic weakness. Payroll employment declined by 539,000, with losses widespread across many industries. Private sector payroll employment declined by 611,000, while government employment increased by 72,000. The unemployment rate rose to 8.9 percent.

These data are not surprising given recent economic trends. Real GDP declined by 6.1 percent in the first quarter of this year, with business investment plunging by 38 percent.

There are some preliminary signs in some other data that the rapid rate of economic decline may be slowing, but more evidence is needed before reaching any firm conclusions. The condition of the housing sector and the contraction of the auto industry are among many factors that make the economic outlook especially murky.

Despite recent economic developments, including the rising unemployment rate, the Administration failed to update its unrealistic economic assumptions in its budget submission. For example, the Administration projects an 8.1 percent unemployment rate for 2009, even though it is clear the rate will unfortunately be much higher. The Administration projects that the economy will decline by 1.2 percent in 2009, compared to the Blue Chip Consensus forecast decline of 2.6 percent.

The Economist magazine called the economic assumptions in the Administration's budget "deeply flawed" in an article entitled, "Wishful, and dangerous, thinking." These faulty economic assumptions are dangerous because they produce an understatement of the real cost of the Administration's expensive new spending proposals. The result will be huge budget deficits and a doubling of the national debt as a share of GDP by 2017, according to CBO.

In the short-term, the steps the Fed has taken, including the huge expansion of its balance sheet, have helped to stabilize financial markets and will eventually provide a boost to the economy. However, the ongoing need for households and banks to reduce their outstanding debts does suggest that when the recovery comes it will probably be weak.

Under Administration policies the excessive levels of deficits, debt, taxes, and inflation will undermine long-term economic growth. Unfortunately, increasing the burden of government on an already weak economy is only going to further undermine economic and job growth in the years ahead. The Administration's proposed reduction of the incentives for work, saving, and investment is not the way to boost the productivity, innovation, and competitiveness of the U.S. economy in the years ahead.

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