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

Economic Outlook

I am pleased to join in welcoming the Chair of the President's Council of Economic Advisers, Professor Christina Romer, before the Committee this afternoon.

On November 2, 2010, the American people will judge the economic policies of President Obama and Congressional Democrats and may direct a midcourse correction, much as professors do with their students at midterm.

President Obama took office under unfavorable economic circumstances, but so did Franklin D. Roosevelt and Ronald Reagan. The question is, has the White House met its economic promises, and are we positioned for long-term growth? Economists, job creators in the private sector and families should question:

- Have President Obama and Congressional Democrats spurred private investment and job creation with their "stimulus" spending, or have their policies added costs and uncertainty that have weakened the recovery?

- Have President Obama and Congressional Democrats met our demographic challenges and improved our long-term economic prospects, or have they diminished them through an ideologically-driven expansion of the size and scope of the federal government, higher taxes, burdensome new regulations, and a reckless increase in federal debt?

To help answer these questions, let us examine the record as measured by the standards that you set for yourself. In January 2009, you published an economic analysis of Obama's stimulus $787 billion plan and forecast that if Congress were to pass this plan:

1. The unemployment rate would remain below 8.0 percent

2. Non-farm payroll employment would increase to 137.6 million by the fourth quarter of 2010.

3. Ninety percent of the jobs created would be in the private sector.

Congressional Democrats passed the stimulus bill, and President Obama signed it into law on February 17, 2009. Now let us compare your promises with reality.

1. Since the stimulus was enacted, the unemployment rate has never been below 8.0 percent. It has been as high as 10.1 percent and was 9.5 percent last month.

2. In June 2010, non-farm payroll employment was 130.5 million, 7.1 million payroll jobs short of your forecast.

3. Since February 2009, only the federal government has added payroll jobs. The private sector has actually lost 3.3 million payroll jobs.

Clearly, Obama's stimulus plan failed to work as you predicted. Instead, this recovery has been unusually weak for one after a severe recession. Average real GDP growth was 7.5 percent in first three quarters after 1981-82 recession under Reagan compared with 3.5 percent in first three quarters after the 2007-09 recession under Obama. In the first twelve months of recovery, the United Stated added 3.1 million payroll jobs under Reagan, compared with a loss of 170,000 payroll jobs under Obama. Similarly, the unemployment rate fell by 2.3 percentage points under Reagan, while it increased by 1/10th of a percentage point under Obama.

Turning to the long-term consequences of the Democrats' economic policies, one sees higher taxes, heavy regulation, gaping federal budget deficits, and soaring federal debt.

President Obama and Congressional Democrats are increasing taxes through legislation, their failure to legislate, and "bracket creep" in the non-indexed portions of the tax code, including the alternative minimum tax and excise tax on so-called "Cadillac" health care plans. Individual income tax rates will increase at the end of this year. Without a fix, up to 27 million families will become ensnared in the AMT.

The top tax rate on capital gains will increase from 15 percent this year to 23.8 percent in 2013, while the top tax rate on dividends will skyrocket from 15 percent this year to 43.4 percent in 2013. Congress allowed the research and development tax credit to expire. Moreover, Congress levied new excise taxes on private health insurance plans, pharmaceutical and medical device manufacturers, and tanning salons.

If these tax increases aren't enough to choke the private sector, President Obama and Congressional Democrats are still scheming to pass new energy taxes through "cap and trade" legislation. According to press reports, two Administration panels will recommend levying a value-added tax once the midterm elections are over.

However, these massive tax increases are still not enough to fund Obama's extravagant federal spending. Based on Obama's Budget, the Congressional Budget Office projects that average federal outlays over the next decade will be 24.1 percent of GDP, 4.6 percentage points above the post-war average of 19.5 percent of GDP. The federal budget deficit will never be less than 4.1 percent of GDP. And publicly held federal debt will climb from 53 percent of GDP at the end of fiscal year 2009 to 90 percent of GDP, at the end of fiscal year 2020.

Our long-term fiscal outlook is dire. If current policies remain in place, the Congressional Budget Office projects that publicly held federal debt will soar to an incredible 947 percent of GDP by the end of fiscal year 2084.

I look forward to discussing these issues with you.

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