



Joint Economic Committee

Representative Kevin Brady • Chairman

CHAIRMAN KEVIN BRADY

JOINT ECONOMIC COMMITTEE

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The Obama Economic Recovery at Five Years: An Assessment

Vice Chair Klobuchar, Members, and distinguished witnesses:

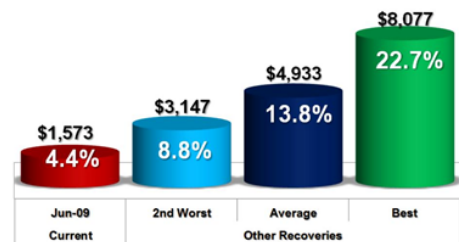
This June President Obama’s economic recovery turned five years old. Despite a near trillion dollar fiscal stimulus package, \$5.8 trillion in federal deficit spending, and a massive ongoing stimulus by the Federal Reserve, this recovery—while economic conditions have improved—is disappointing by all measures.

We all hope America gets back to work, but honestly it’s difficult to find a metric on which the Obama recovery rates favorably. Wall Street is roaring, but Main Street and middle-class families are being left behind.

For most Americans, income growth has flat-lined. Since the recession officially ended, real after-tax income has edged up by only 4.4 percent a person—that’s less than a third of the average recovery (13.8 percent) of the past half-century.

GROWTH GAP Incomes Aren’t Growing

After-tax per capita personal income growth is badly lagging other recoveries.



Source: Bureau of Economic Analysis, Joint Economic Committee Staff Calculations based on percentage increase, 2009\$

For middle-class Americans, this means that a family of four is missing \$1,120 from their monthly budget—they are, in effect, missing the equivalent of their monthly rent or mortgage payment. Since the recession ended those missing dollars exceed a whopping \$40,000 for that family. Can you imagine how many groceries, gasoline, and utility bills that would pay for? No wonder so many Americans feel like the recession has never ended for them.

GROWTH GAP Per Person After-tax Income Gap = \$3,360/yr.



So far, due to President Obama's Growth Gap, our economy is missing \$1.6 trillion in real GDP compared with the average of other recoveries since 1960 (and \$2.2 trillion compared with the Reagan recovery).

This means America's economy is missing an economy larger than that of Australia, Spain, or Mexico. If we don't begin successfully closing this dangerous Growth Gap, our nation's economic hole will soon be larger than the entire economy of neighboring Canada.

Cumulatively, the overall loss in economic output in America is \$4 trillion compared with an average post-1960's recovery. That gap alone would qualify as the fourth largest economy on the planet. Can you imagine how much that missing economic growth would help American families today?

Can President Obama catch up? Can his economic leadership close the Growth Gap? We hope so, but it will be difficult. Just to qualify as the leader of an average, C-grade economic recovery by the end of his presidency, real GDP will need to grow at an annual rate of 6.5 percent during each and every quarter. Unfortunately, the U.S. economy has only topped a 4 percent annual growth rate in two quarters of this recovery.

Disappointing economic growth means jobs are missing too. Despite 52 consecutive months of private sector job growth cited by Dr. Bernstein, the U.S. economy still suffers from a private sector jobs gap of 5.8 million measured from the end of the recession. These are Main Street jobs, not government jobs. And to put this staggering jobs gap in perspective, closing it would mean that every person searching today for a job in 44 states and the District of Columbia could go back to work.

GROWTH GAP Growth Gap vs. Average = \$1.6 trillion

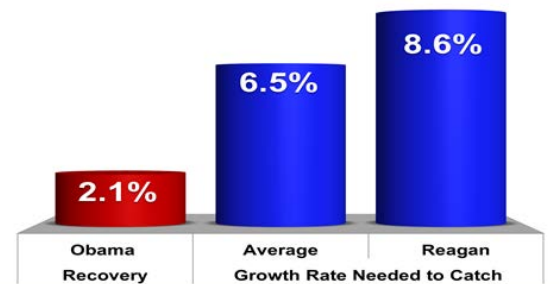
Greater than the size of the Australian, Mexican, or Spanish economies



GROWTH GAP Cumulative Lost Output vs. Average



GROWTH GAP Growth Need to Catch Up

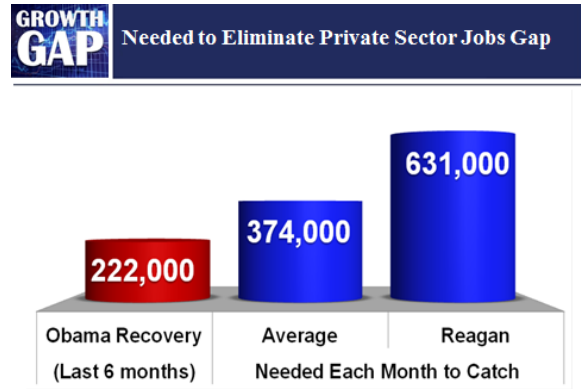


GROWTH GAP Private Jobs Gap vs. Average = 5.8 million

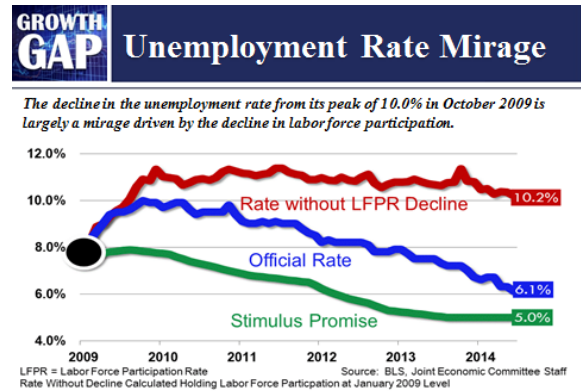
Greater than the combined unemployment in 44 states + DC



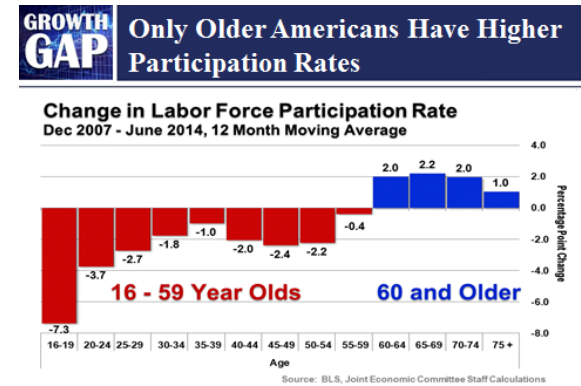
Eliminating the jobs gap won't be easy, either, for the President. The U.S. economy would need to generate an additional 374,000 private sector jobs each and every month for the remainder of the Obama presidency. Unfortunately the White House hasn't achieved that even once during this recovery, and has broken the 300,000 private sector jobs per month mark only twice.



While we all cheer the lower unemployment rate, unfortunately the decline is largely a mirage created by American workers leaving the workforce. Without the fall in the labor force participation rate to 62.8 percent since President Obama took office—a multi-decade low last seen when Jimmy Carter was in the White House—the unemployment rate would actually be 10.2 percent today, not 6.1 percent.



Those dropping out of the work force aren't the elderly taking early retirement—their participation rate has actually increased since 2007. It's the 16-59 year olds, both the young and prime working-age individuals, whose participation has dropped. As a result, our labor force is missing more than 3.4 million workers between the ages of 20 and 59.



To the President's credit, from the end of the recession through April, total employment has increased 5.7 million. Unfortunately, over 11.3 million Americans have been added to the food stamp rolls during the same period. This is not a hallmark of a strong, broadly based recovery.



Are recessions caused by a financial crisis difficult to recover from? Absolutely, and the President deserved time to let his policies work.

At this point five years after the recovery officially began, the responsibility for this disappointing economy now lies squarely on this President. The excuse box is empty.

It is time to acknowledge that the President's seemingly insatiable appetite for more federal spending, higher taxes and excessive red tape on local businesses has produced an economy sputtering along at near stall speed. That has deprived millions of hardworking people, young and old alike, their opportunity to pursue the American Dream.

For the sake of millions of Americans seeking good jobs, we can no longer afford to simply 'stay the course'. We need to roll back the damaging economic policies that the Obama White House has inflicted on the American people.

To get our economy back on track we need to return to the proven free market principles that built the most prosperous country on the planet. We need to implement the economic policies—lower marginal tax rates, federal spending restraint, balanced regulations, a sound dollar, and opening foreign markets to American exports—that got America moving again under both President Kennedy and President Reagan.

We need to remember the words that one of our distinguished witnesses today, Larry Kudlow, has uttered so often over the years: "free-market capitalism is the best path to prosperity."

I look forward to the testimony today.