



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CONGRESSMAN KEVIN BRADY

RANKING REPUBLICAN HOUSE MEMBER



NEWS RELEASE

For Immediate Release
May 5, 2010

Press Release #111-33
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**STATEMENT OF
CONGRESSMAN KEVIN BRADY**

**Avoiding Another Lost Decade: How to
Promote Job Creation**

I am pleased to join in welcoming Dr. Krueger before the Committee.

Although many economic indicators show signs of a recovery, the employment situation remains dire. As of last month, 15 million Americans were out of work for an unemployment rate of 9.7 percent.

Given these grim employment statistics, I thank the Chair for convening this hearing on how to promote job creation. We should begin by examining President Obama's record on job creation.

In January 2009, President Obama proposed an \$862 billion stimulus plan. Two of the Obama's administration top economists, Jared Bernstein and Christina Romer, forecast the economic benefits from Obama's stimulus plan, which the Congressional Democrats enacted the next month. This Romer-Bernstein forecast is the standard that the Obama Administration set to judge the success of its economic policies. So let's compare this forecast with reality:

- The Administration predicted that if Congress enacted the stimulus plan, the unemployment rate would not exceed 8.0 percent. The unemployment rate increased to 10.1 in October 2009, and remained at 9.7 percent in March 2010.
- The Administration predicted that payroll employment would increase to 137.6 million in the fourth quarter of 2010. Actually, payroll employment was 129.8 million in March 2010, and would have to increase by about 867,000 payroll jobs per month to meet the Administration's forecast.
- Finally, the Administration forecast that 90 percent of payroll growth would occur in the private sector. Actually, the private sector lost 3.7 million payroll jobs from February 2009 to March 2010. The only sector in which the number of payroll jobs increased was the federal government.

Let's turn to the other major items on the Democrats' economic policy agenda and assess their impacts on job creation.

First, the recently enacted health care legislation will require employers to offer a costly government-mandated health plan or pay a fine of \$2,000 per worker. Insurance premiums are likely to soar as the new system of guaranteed issue will cause some people to wait until they are sick before they buy insurance. It is not clear how widespread this practice will become. But, it is clear that the additional employment costs will discourage hiring.

Second, the Democrats have proposed "cap and trade" legislation that would raise energy prices, require firms to use currently non-existent technologies, and mandate an 80 percent reduction in greenhouse gases by 2050. Speaker Pelosi claims this bill is about creating "green jobs." Spain has tried this approach and failed. Professor Gabriel Calzada Alverez found every "green job" created cost about \$763,000. Far more jobs are destroyed by raising energy prices through "cap and trade" than "green jobs" are created.

Third, the Democrats have proposed "card check" legislation to end the secret ballot for union representation elections and impose mandatory two-year contract through political arbiters on newly unionized firms if employers and unions cannot agree. This prospect discourages private business investment and job creation.

Fourth, President Obama and Congressional Democrats have decided to let the 2001 and 2003 tax reductions expire at the end of this year and impose a 3.8 percent surtax on investment income effective in 2013. As a result, the maximum tax rates on capital gains and dividends will jump from 15 percent this year to 23.8 percent and 43.4 percent, respectively, in 2013. This Congress also stood by while our R&D tax credit expired last year.

In 1990, our average combined federal and state corporate income tax rate was 6 percentage points lower than the average in other OECD countries. We were leading our competitors. Today, it is 9 percentage points higher – and now we are losing out to them.

Despite the competitive disadvantages from the high U.S. corporate income tax rate and our system of worldwide taxation with deferrals and foreign tax credits, President Obama has proposed a grab-bag of hidden tax increases on U.S. corporations selling American-made goods and services overseas. And now, Administration officials and their friendly media outlets are beginning to hint that President Obama and Congressional Democrats may seek a value-added tax after the mid-term elections in November to fund their permanent increase in the size of the federal government. All of these tax policies discourage private business investment and job creation.

Finally, Congressional Democrats have failed to ratify the already signed free trade agreements with Colombia, Panama, and South Korea that would boost U.S. exports by \$13 billion and create 250,000 new high-paying jobs here in America.

Taken together, the economic policies of President Obama and Congressional Democrats, however well intentioned they may be, are a hindrance to a robust job creation. If Americans wish to enjoy vigorous job growth, these economic policies must be reversed.

I look forward to today's discussion.

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