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THE ECONOMIC REPORT OF THE PRESIDENT 2014

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BEFORE THE

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THE ECONOMIC REPORT OF THE PRESIDENT 2014

THURSDAY, MARCH 13, 2014

HOUSE OF REPRESENTATIVES,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The committee met, pursuant to call, at 2:27 p.m., in Room 1100, Longworth House Office Building, the Honorable Kevin Brady, Chairman, presiding.

Representatives present: Brady of Texas, Paulsen, Carolyn B. Maloney, Cummings, and Delaney.

Senators present: Klobuchar.

OPENING STATEMENT OF HON. KEVIN BRADY, CHAIRMAN, A U.S. REPRESENTATIVE FROM TEXAS

Chairman Brady. Good afternoon, everyone.

Today we will hear testimony from Dr. Jason Furman, the chairman of the Council of Economic Advisers. The Economic Report of the President was released on Monday.

I thank Dr. Furman for testifying so promptly after the Report's release.

Families on Main Streets across America are suffering from a disappointing economic recovery that still feels like a recession to them. Due to the alarming growth gap that describes the gap between the Obama recovery and other average recoveries of the past 50 years, America is missing 5.6 million private sector jobs and $1.3 trillion in real GDP from the economy. Using the latest economic buzzword from the President's report, job years, we are also missing over 18 million private sector job years.

Wall Street is roaring, thanks to White House policies, but middle class families are being left behind. The S&P 500 total return index adjusted for inflation is up 98 percent since the recession ended, but real disposable income per person has risen a mere 3.6 percent. To put it another way, under President Obama's economic leadership, for every new dollar of disposable income a person receives, Wall Street has gained $27 in value.

No wonder income inequality is a concern. Clearly, President Obama inherited an economic mess. The question before this committee is whether staying the course will close the alarming growth gap and provide real opportunity to middle class families and Main Street businesses left behind in this recovery. In both the President's budget presented to Congress last week and the Economic Report of the President, it is clear the White House is stubbornly adhering to the current slow growth policies that much of America has lost confidence in.

For example, using a Keynesian analysis that focuses solely on aggregate demand, the Report asserts the American Recovery and Reinvestment Act added about two percent to real GDP between the fourth quarter of 2009 and the second quarter 2011. Many economists disagree. For example, John Taylor found the stimulus had little positive effect. The report praises infrastructure investment, which has bipartisan support, yet ignores the President's decision to block a major privately funded infrastructure project, the Keystone XL pipeline.

The Report lauds the administration's success in promoting alternative energy, but ignores the shocking waste of precious taxpayer dollars to failed companies like Solyndra and others. Ironically, the Report claims credit for increasing oil and natural gas production, while ignoring the fact that this occurred on private and State lands, while the White House has further restricted access to public lands.

Moreover, the Report fails to acknowledge the harmful effects from the White House's regulatory onslaught against American businesses, and does the same for President Obama's insistence at the end of last year on higher taxes on small businesses and successful Americans as a condition of renewing middle class tax relief. Not surprisingly, policy uncertainty remains unprecedentedly high four and a half years into this disappointing recovery.

The Report makes a great effort to blame congressional Republicans for the fights over increasing the debt ceiling and the temporary government shutdown, which created more policy uncertainty, but ignores the even larger uncertainty the White House has created with its call for higher taxes, less American-made energy, burdensome regulation, and the President's Affordable Care Act.

The Report observes that business fixed investment has been unusually weak, which this committee has been highlighting for some time. Indeed, real fixed business investment finally reached its fourth quarter of 2007 level in the most recent report on GDP.

The Report asserts, "The pace of growth of business fixed investment is puzzling because interest rates are low and internal funds available for investment are high." The reason for this weakness is staring the CEA in the face. Economic growth is a function of both supply and demand, yet the Report focuses on aggregate demand. Businesses don't make investment decisions based solely on their assessment of future demand. They also consider cost. Supply-side factors such as taxes and regulation are at least as important as demand-side factors.

The administration has increased both the expected after-tax costs of new business fixed investment and heightened uncertainty. It was entirely predictable that sluggish business fixed investment would produce a weak recovery. Is no one at the White House listening to local businesses? They have been telling you this for years, and continue today.

I will conclude with this. While the Report identifies issues worth a thoughtful, bipartisan discussion, too much energy is again wasted attempting to shift the blame for this anemic recovery to anyone or anything other than the leadership of this White House and this President. The report impugns a variety of headwinds from droughts to the euro crisis. However, other Presidents, Presidents Kennedy, Reagan, and Clinton for starters, overcame the headwinds of their time and achieved superior economic results for American families and businesses.

President Obama has the opportunity to do the same. I urge him to work with Congress to grow the economy in ways that have been shown to work. And with that, Chairman Furman, I look forward to your testimony. Thank you again for being here.

And I would yield for an opening statement to the vice chair, Senator Klobuchar.

[The prepared statement of Chairman Brady appears in the Submissions for the Record on page 20.]

OPENING STATEMENT OF HON. AMY KLOBUCHAR, VICE CHAIR, A U.S. SENATOR FROM MINNESOTA

Vice Chair Klobuchar. Thank you very much, Mr. Chairman. Thank you for holding this hearing.

And welcome, Dr. Furman. We are happy to have you here.

I apologize in advance, we just had a vote called on the CIA counsel, so I am going to go back, and hopefully I can get back here to this lovely room.

While we are still not where we would like to be, as you know, Dr. Furman, we have made real progress recovering from the recession. The economy has added jobs for 48 consecutive months, and has now regained 8.7 million of the 8.8 million private sector jobs lost during the recession. I bet you want that extra point.

The national unemployment rate of 6.7 percent has dropped 1.2 percentage points since the end of 2012, and has dropped more than three percentage points since the downturn. In my State, the unemployment rate is much better than the national average. It is at 4.7 percent. And we are having our own challenges when it comes to finding workers and worker training and other things. But they are good challenges to have.

In 2009, there were nearly seven unemployed workers for every job opening. There are now 2.6 unemployed workers for each opening, almost back to the pre-recession ratio of two unemployed workers for every opening. GDP has grown for 11 straight quarters, and the CEA projects stronger growth in 2014. There are a number of bright spots in our economy that have contributed to the growth.

Manufacturing is one exciting example. After being hit incredibly hard during the recession, U.S. manufacturing employment has increased by 612,000 jobs since February 2010. Manufacturing employs more than 12 million people, is responsible for nearly 70 percent of private sector R & D, and generates 90 percent of all patents. Increased energy production has also spurred economic growth. Greater production of natural gas, much of it is in my neighboring State of North Dakota, has kept prices low, which has strengthened manufacturing and created good-paying jobs.

As the report highlights, imports of crude oil and refined petroleum products have fallen from more than 12 million barrels per day in 2005 to about 6.2 million per day in 2013. Starting in October of last year, domestic production of crude oil has exceeded imports for the first time since 1995.

Another bright spot in our economy is exporting. One of the administration's goals I know is to double exports. And we are more than halfway toward achieving that goal. We need to continue to open new markets and ensure that American businesses can compete in the global marketplace. We have taken steps to put our country on a sound fiscal path. The deficit has been cut by more than half since the end of 2009. We passed the bipartisan Murray-Ryan budget agreement, which led to the passage of the omnibus spending bill. We raised the debt limit. And finally, we passed the farm bill, which saved $23 billion over the last bill, and is vital to many States in this country.

I want to briefly highlight a few topics in the CEA report, including income inequality, technology and innovation, and the reviewing of efficiency of Federal regulations, something I used to do a lot of work in this area, I care a lot about it, and I always think we can make improvements. I was pleased to see the emphasis on reducing poverty and expanding economic opportunity, as this committee discussed at a hearing I chaired in January with former Labor Secretary Reich. Income inequality in the United States has grown for more than three decades. Secretary Reich testified that the richest 400 people in this country have more wealth than half of the American population combined. And a staggering 42 percent of kids born into poverty in the U.S. won't get out. I am pleased that you are looking at this. I know we will have questions for you about it.

Technological advances have empowered much of our economic growth since World War II. Improved broadband access and adoption rates will strengthen U.S. competitiveness, as the report points out. A patent system is important. I know the House has done some good work on the patent reform issue. And as a member of the Judiciary Committee, I am a sponsor of Senator Leahy and Lee's bill, the Patent Transparency and Improvements Act. We will be having hearings in April. I think that is very important as we look at technology issues going forward.

Finally, we need to ensure that rules and regulations deliver the outcomes we want. Right now, cost-benefit analysis of proposed regulations are done before the regulations are implemented and are rarely revisited. I introduced a bipartisan bill with Senator Susan Collins of Maine that requires the Congressional Budget Office to look back at rules and regulations to make sure they are meeting their goals by having an analysis done of their cost-benefit effectiveness five years after the bill takes effect. I think it is rather absurd that we only look at them before, and we don't look at them after and figure out what changes have to be made or which ones need to be eliminated.

An immediate challenge, of course, is unemployment insurance. I know we are working very hard on a bipartisan agreement in the Senate. And I add the other immediate challenge is getting the immigration bill done. Very important to our economy. We had Grover Norquist testify here about how the Senate bill reduces the debt by $160 billion in 10 years, $700 billion in 20 years, and also of course will allow many entrepreneurs and engineers and doctors to come into this country.

I would end by telling you I think it is incredibly silly, as much as I love hockey in Minnesota, that we have unlimited visas for hockey players, which we want to continue, half our team is Canadian, but we make it almost impossible to get a doctor into the Mayo Clinic.

With that, thank you very much, Dr. Furman, and hopefully I will return to have some questions.

Thank you.

Chairman Brady. Thank you, vice chair.

Jason Furman is the chairman of the Council of Economic Advisers. Previously, he served as the principal deputy director at the National Economic Council and senior vice president of the World Bank. He has also been a senior fellow in economic studies and director of the Hamilton Project at the Brookings Institute.

Dr. Furman earned his Ph.D. in economics, and a master's in government from Harvard University, an MS in economics from the London School of Economics. Please welcome the distinguished chairman of the Council of Economic Advisers.

Thank you for being here, Doctor.

STATEMENT OF HON. JASON FURMAN, CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS

Dr. Furman. Chairman Brady, thank you very much for having me.

I would thank Vice Chair Klobuchar in person if she hadn't gone to her vote, and members of the committee.

The 2014 Economic Report of the President discusses the progress that has been made from recovering from the worst recession in our lifetimes, and President Obama's agenda to build on this progress by creating jobs and expanding economic opportunity. And I am grateful for the close reading that you have already done of that document.

Last Friday, we learned that businesses added 162,000 jobs in February, so that over the last 48 consecutive months of job growth, private employment has risen by 8.7 million jobs. The unemployment rate ticked up one tenth of a percentage point in February, but it has still fallen by half a percentage point since October, with the entirety of that decline attributable to gains in employment. Nevertheless, essentially all of the remaining elevation in the unemployment rate is due to long term unemployment, which represents one of our most pressing economic challenges, and is one of the reasons that the President is focused on extending unemployment insurance.

The economic recovery is well underway, but it remains incomplete, and much more work is left to be done, in large part because of the depth of the hole, out of which we are still digging. As discussed in this year's Economic Report of the President, recoveries from financial crises are challenging because heavy household debt burdens and tight credit conditions can linger for years, constraining spending and investment. However, among the 12 countries that experienced a systemic financial crisis in 2007 and 2008, the United States is one of just two in which output per working age person has returned to pre-crisis levels. The fact that the United States has been one of the best performing economies in the wake of the crisis supports the view that the full set of policy responses in the United States has made a major difference in averting a substantially worse outcome.

This year's report provides an in-depth look at one major aspect of the policy response of the crisis, the Recovery Act, and more than a dozen subsequent pieces of fiscal legislation, including bipartisan measures like the payroll tax cut, small business tax cuts, incentives for business investment, and extended unemployment insurance. Our analysis finds that the effects of these steps were substantial.

Specifically, the Recovery Act alone raised the level of GDP by between 2 and 2.5 percent from late 2009 through mid-2011. Combining the effects of the Recovery Act and the additional fiscal measures that followed, the cumulative boost to GDP from 2009 through 2012 was the equivalent of 9.5 percent of fourth quarter 2008 GDP. Looking ahead, this year's report also identifies several key reasons why the administration, like other forecasters, expects growth to strengthen in the coming years.

One key reason that growth is expected to pick up is that households have made substantial progress in deleveraging, putting them in a better position to increase spending going forward. Specifically, the average required minimum payment on household debt has fallen from a high of 13 percent of disposable income in the fourth quarter of 2007 to 10 percent in the third quarter of 2013, the lowest since we began collecting this data in 1980.

It is important to note that these figures represent aggregates, and that many middle income households have seen less benefit from the recent stock market gains, and are still grappling with the implications of home prices that despite recent progress remain well below their previous highs. I would add that other reasons to expect stronger growth in 2014 include diminished fiscal drag, recovering asset values, strengthening among some of our key international trading partners, and demographic forces that are expected to maintain upward pressure on housing starts.

Although all of these positive factors need to be weighed against the uncertain risks that can adversely affect the economy, looking over a longer time horizon, the report identifies a number of emerging trends that can support a stronger economy on a sustained basis in the future, including improvements in the production and use of energy, a slowdown in the rise of health costs, and technological advances.

The Administration is not sitting back and waiting for these trends to unfold, and the President has set out an ambitious agenda to capitalize on these opportunities. He would agree with you, Chairman Brady, that we need to worry both about the demand side, especially in the short run, of returning the economy to its potential, as well as the supply side, to expand the economy's potential and increase our growth over the medium and long term. And finally, taking steps to ensure that all Americans share in those benefits.

This is just a brief overview of the economic outlook, and I am happy to talk more about that, the President's priorities, as well as the other topics that we covered in our report, including the slowdown in health costs, the role of technology in the economy, the lessons we have learned 50 years after the beginning of the war on poverty, and a discussion of the importance of Federal program evaluation.

I look forward to your questions.

[The prepared statement of Hon. Jason Furman appears in the Submissions for the Record on page 21.]

Chairman Brady. Great. Thank you, Chairman.

It is no secret, I think these are the wrong economic policies. I would like to see a change in course. But the purpose of this hearing is to talk about the Report, and we hope to shed some light onto some of the challenges we face.

So, my question really is not a "gotcha" question, it really deals with labor force participation. You know, it has been troubling in the recovery that that data continues to stay extremely low. It really masks the accuracy of the unemployment rate. Some have tried to say the decline since 2007, or at least the lack of an increase, has come from demographic change.

Chairman, I had our staff really go through and look sort of in each of the key age groups looking at the demographic shifts. We used 12-month moving average unadjusted data, took out seasonality, looked at the narrow age groups so we can try to figure out exactly what is going on. Using that metric, you know, the decline in the labor force participation, while most assume it is just seniors growing old and retiring, the numbers seem to show the only increases are in the upper age groups, and some of the more serious declines are in that 16- to 59-year-old range. We have been looking at those factors as well to try to determine what is driving that.

What would you attribute that to? What are some of the factors you think are impacting that? And what would you do—you know, what are some of the perhaps solutions for that challenge?

Dr. Furman. Right. Well, Mr. Chairman, I appreciate the question, and I appreciate your interest in this topic. I think understanding the dynamics of labor force participation really is one of the most important issues in understanding the performance of the labor market today.

In our analysis of this question, I would divide the change in the labor force participation rate into four general areas.

The first is the demographic trend. And our analysis, like a range of other analysts, would suggest that about half of the decline in the labor force participation rate is due to demography. And I think that is important, because sometimes if you are looking, for example, at changes in the employment population ratio over time, those can give you a misleading picture of the economy because they don't adjust for those demographic——

Chairman Brady. I would agree with that.

Dr. Furman [continuing]. Changes.

The second set of factors are longer run trends that are not just the aging of the population, but represent other factors. And I think you are picking up some of those in the chart you have here. For younger Americans, some people are, for example, staying in school longer, and that lowers their participation rate. There are older Americans now who are in the types of jobs that they are able to work in until older ages. So there has been a trend of people working longer at an older age. I think those trends that aren't related to aging roughly net out to zero in terms of the overall explanation, but they are very important for particular groups.

Next, the third one, is the normal movements of the business cycle. And any time unemployment is elevated, some people are going to, for example, you know, take a little bit longer before they decide to return to the labor force and look for a job, or maybe even get discouraged and not want to look for a job. As the unemployment rate comes down, a lot of those people return to the labor force. And we have been seeing that, and we expect to continue seeing that.

Finally, some of that reduction in participation is probably related to the increase in long term unemployment, and represents that people have been out of work for years. It has been a tough economy for years, it was a really deep crisis that we went through. And that can have, you know, some longer term effects on the economy.

In terms of the policy implications, I will just be very brief. On demographics, you know, some of that is just inevitable. But through steps like immigration reform we can go against the headwind there and make progress on participation.

In terms of the cyclical component, anything that strengthens aggregate demand brings the unemployment rate down more quickly, will help with that.

And then finally that last component I talked about, which is probably related to long term unemployment, steps to help connect the long term unemployed with jobs will bring some of those people back into the labor force too.

Chairman Brady. Two thoughts based on your views. I understand a cyclical business climate. But over the past four and a half years this participation rate, even as unemployment has come down from 10 percent, significantly, that hasn't budged. In a normal business cycle you would think it would begin to trend upward to some degree. And certainly among those age groups in their prime working years. How would you explain that?

Dr. Furman. I think in aggregate, and then I will get to the age groups, you are seeing two trends going in opposite directions. One is that as you recover it brings people back into the labor force. But then you still have people aging and leaving the labor force.

And in aggregate, those two effects have been roughly offsetting each other. And that is why you haven't seen the participation rate recovering. If you look at the Congressional Budget Office, for example, projects that the economy will recover, but that that recovery will not be enough to offset the demographic impact, and that over the medium and long run you will continue to see the participation rate fall for that reason.

If you look at some particular age groups, I think it is partly that—I think there is another important factor, which is related, as I said, to just how deep the recession was, is long term unemployment, which remains very elevated, and the flip side of it, which is its impact on participation.

Chairman Brady. And we need to wrap up time.

Briefly, how do you view immigration reform as improving the labor participation rate?

Dr. Furman. Well, first of all, by bringing more workers into the country it expands the labor force, and second of all, the age ratio of the people that come into the country are more working age people relative to older retired people. So it doesn't just improve the quantity of labor, it improves the ratios as well. And that is why the Congressional Budget Office and other analysts have said that it would raise the labor force participation rate.

Chairman Brady. Okay. It seems counterintuitive. Thank you, chairman.

Are you ready? Sorry about that.

Vice Chair Klobuchar. No, I am all ready.

Chairman Brady. I recognize Vice Chair Klobuchar.

Vice Chair Klobuchar. I almost feel as fit as Dr. Furman looks running back from there. But here I am.

Now, we continue to see positive signs in the economy, we both spoke about that. How would you characterize the current state of the economy? And what makes you more optimistic about the prospects of the future?

Dr. Furman. I think you see an economy that continued to gather strength over the course of 2013. It started off the year having to overcome the expiration of the payroll tax cut, then the sequester going into effect, and then the government shutdown. And despite all of that, you saw considerably stronger growth in the second half of the year than in the first half of the year.

In terms of 2014, you know, you certainly see volatility from quarter to quarter. Cold weather is adversely impacting the economy in the first quarter, but most analysts would expect a bounce back from that over the course of the rest of the year. And some of the forces I talked about in my testimony, including reduced fiscal drag, improved household deleveraging, and continued potential in the housing sector, all have the potential to strengthen the economy further this year.

Vice Chair Klobuchar. The report focuses some on income inequality, and I talked about in my opening how we have seen this increase in income inequality over the last few decades. And how do you think we go about reversing the trend?

Dr. Furman. Right. First of all, I think it is important to start with that fact. And there is a wide range of data sources and methods, but all of them show the same conclusion, which is that income inequality has risen.

The biggest consequence of that is, that you don't have sufficient opportunities for advancement if you are born into the wrong family. And for many middle class families, they haven't seen their incomes rise. So to some degree we want to address those problems in terms of opportunities for advancement, by, for example, expanding preschool education.

In terms of rising incomes, anything from raising the minimum wage, that directly helps incomes, to anything that helps enhance our economic growth, whether it is business tax reform or investment in infrastructure, will expand the pie and give us more resources to address the reasons we are ultimately concerned about inequality.

Vice Chair Klobuchar. I chaired a hearing last year on long term unemployment. And while we are continuing to see improvement in the overall employment numbers, as you know, the long term unemployed, I think there are nearly four million Americans who have been out of work for over six months.

Why do you think this rate is still so high, and in fact the recovery for the long term unemployed has been slower than it has been in other downturns.

Dr. Furman. I think it is a measure of the severity of the downturn. The long term unemployment rate rose, you know, to above four percent at the depths of this recession, well above the level it has ever gotten to before. And some of those people can lose skills in terms of looking for jobs. And a lot of employers may discriminate against them in the hiring process.

So it is a tough problem to reverse. We are making progress on it. It has come down from over four percent to 2.5 percent, but it is still more than twice as high as the long term unemployment rate has been historically.

Vice Chair Klobuchar. Is that one of the reasons you favor continuing the unemployment compensation?

Dr. Furman. Yes. Absolutely, Senator.

Vice Chair Klobuchar. Okay.

Productivity growth generally translates into higher wages for workers, but in the last 40 years the relationship between these productivity increases and wage growth has stagnated.

As your report shows, by the end of September 2013, real output per hour was 107 percent higher than in 1972, but average hourly earnings had grown by only 31 percent. Do you think there are policies that can boost both productivity growth and wages?

Dr. Furman. Yeah. I think technology expands the pie. I think it has the potential to expand it for everyone if it is done the right way. And just to give one example of an initiative the President has undertaken is something called ConnectED.

And that is about putting faster broadband in schools and libraries, as well as giving teachers the training to use it and students the equipment they need to use it. And that is a good way in which you could use technology to bring people up and make sure that they share in that growth.

Vice Chair Klobuchar. Last question, just immigration reform, it is stalled out right now. And I want to know how you see the economic impact of immigration reform.

Dr. Furman. I think immigration reform is the closest thing to a win-win-win that we have identified in economics. You can expand economic growth, and it doesn't just increase the level of output because you have more workers producing it, it actually expands the productive capacity of the economy.

It increases what economists call total factor productivity growth, because immigrants are very innovative, very entrepreneurial. Taking 12 million people and letting them move out of the shadows gives them the certainty they need to make investments, whether in education or business that would also contribute to our growth. So it helps our economic growth.

It reduces our budget deficit. It does that, as you said in your opening, over the next decade, and it does it even more over the second decade. So it is an important part of addressing our medium and long run fiscal challenges.

And finally, it can be done in a way that makes America safer and more secure by investing in protection of our borders.

Vice Chair Klobuchar. And just one last question about energy production. I talked in my opening about what we have seen there, and I think the decrease from dependency on foreign oil from more than 60 percent to less than 50 percent or somewhere in that neighborhood. Could you talk about how the expansion of energy production here at home has helped our economy, particularly manufacturing?

Dr. Furman. Yeah. If you look in 2008, I think we were producing five million barrels of oil a day. Now it is about 8.5 million barrels of oil per day. The difference between those is the equivalent of Iraq. It is basically like you discovered another Iraqi set of oil wells here in the United States and were able to use those.

And that is good for our economy, good for our national security. And it has been combined at the same time with a reduction in use of oil through having the most fuel efficient vehicle fleet in our country's history on the roads today. So the combination of those two is what has reduced our imports so dramatically as you described in your opening.

Vice Chair Klobuchar. And how do you see natural gas fitting in?

Dr. Furman. In a complementary way with two other advantages. The projections are that that natural gas boom will last for decades. Oil may not be as sustained as natural gas. And second of all, that natural gas has facilitated a shift to using that for power generation. That also helps address our climate problems.

Vice Chair Klobuchar. Thank you very much.

Chairman Brady. Thank you.

Mr. Paulsen.

Representative Paulsen. Thank you, Mr. Chairman.

Dr. Furman, last year's Economic Report of the President had an entire chapter that was devoted to international trade and competitiveness. That chapter highlighted the President's National Export Initiative, which Senator Klobuchar mentioned. That is a five-year goal, of course, of doubling exports by the end 2014 in order to support two million jobs.

Now this year's report actually relegated international trade to a small subsection within chapter two. It didn't mention the National Export Initiative at all, actually. I am curious, why was the National Export Initiative left out of this year's report?

Dr. Furman. Not by design. It is very important, and we certainly talk throughout the report about the importance of exports and trade agreements. But I guess we didn't use that term.

Representative Paulsen. Okay. Do you feel like we are on track right now? I know that total yearly exports at the end of 2013 were at $2.27 trillion, which is short of the $3.14 trillion needed by the end of 2014 to meet the export goal.

But does the administration think we are on track to the goal of doubling exports?

Dr. Furman. I think there has been a substantial increase in exports since we set the goal. We have done everything we can to, through policy, facilitate that increase in exports. There also was a very large contraction in the global economy following the President's setting that goal. And that has gone in the other direction.

So 2012, for example, you saw very little increase in our exports. And that had everything to do with the global economy, not what was going on here.

Representative Paulsen. I think you know there is strong bipartisan support for these trade initiatives that are on the horizon. And to be honest, I don't think the administration or the President wants to claim enough credit for moving these forward, or claim bipartisan credit where it is due.

What is the Administration doing right now to help garner support for moving forward on TTIP, on TPP, and Trade Promotion Authority to make sure that these agreements actually come to fruition?

Dr. Furman. Congressman, I absolutely agree with you on the importance of those, and can I tell you that the Council of Economic Advisers, and me personally, plan to do continued—increase the amount of work we are doing on those trade agreements, and documenting the important role that they play in our economy. So I will make sure we call to your attention as we do that in the future. If terms of this report, we didn't have a chapter on it in part because we looked at previous years and said we covered a lot of this topic, let's try to vary it and make sure we are covering the full waterfront rather than just repeating the same topics from year to year.

But you have recently seen the Vice President write an op-ed on this topic. You have seen USTR, Ambassador Froman, give a major speech on this topic. And most importantly is the actual work we are doing to try to bring TTP to a successful conclusion.

Because we think it will be easier to explain the benefits when you can show people just how much we are able to open foreign markets to American goods, both in terms of the variety of barriers that our companies face around the world. And we are working to get something that we can, you know, that we can show to people.

Representative Paulsen. I know the benefits are there.

Let me ask you this, though, because I know you do believe that the trade agreements are in our best interest. USTR has done a really good job of being up on the Hill and spending time with Members.

So I guess my question is, do you believe Trade Promotion Authority, from the White House's perspective, or the Administration's perspective, is equally important? And do they plan to actually weigh in a little bit more heavily and get engaged, as USTR has?

Dr. Furman. Absolutely, Congressman. And the President in his State of the Union address talked about the importance of having the authority to have, you know, votes on those trade agreements. But, you know, what we are doing is negotiating and trying to get the best possible agreement so we can show all of you why that authority is so important to us.

Representative Paulsen. Okay.

I know we are going to need that help and assistance, because in the Senate, leadership threw some cold water on moving forward on trade promotion authority before year end. But I would agree it is in our interest to have these export markets open and available, with the U.S. back on the playing field and leading these trade agreements. Thank you.

I yield back, Mr. Chairman.

Chairman Brady. Thank you.

Mr. Delaney.

Representative Delaney. Thank you, Mr. Chairman.

Thank you, Dr. Furman. I am always incredibly impressed with your analytics and insights. It is nice to have you here today.

So I wanted to talk a little bit about the future in terms of how we think about some of the challenges we see in today's jobs market, and how that is likely to play out in the future. Because I think the data you present is very clear that by any measure our country's ability to respond to this deep recession, that probably as a practical matter really would have started much sooner but for some of the things that were going on in the credit markets.

But our country's ability to respond to that, I think in part due to the President's policies, clearly has outpaced any other Nation's. And so as you highlighted in your testimony, we have a very significant problem around people who are long term unemployed. And we see a lot of disruption in the employment markets based on technology and globalization, which seem to me are creating a much more specialized economy in our country.

And the degree that our economy becomes specialized is growing over time. And a specialized economy benefits people with really great educations and access to capital and things like that. And it is generally negative for people who don't have those benefits. It takes time for those benefits to spread out to the larger percentage of the workforce. And I think some of the President's policies, which I agree with in terms of greater investments in infrastructure, in basic medical research, obviously reforming immigration, reforms in investments in education, are clearly important in terms of making our country more competitive and making sure we have a workforce that is equipped to hopefully get those jobs.

But I tend to think that we discuss those policies as it relates to the 6.7 percent of the population that is unemployed. What really worries me is what will happen to the other 93.3 percent of the population across the next 20 years. Because what concerns me greatly is that this trend in our country towards a more specialized economy, which is based on the fact that technological innovation is accelerating and the world is becoming more connected and more global, that that will disrupt a huge number of jobs.

I don't know what the percentages are. You hear different estimates. You hear some as low as 20 or 30 to as high as 50 percent of the jobs that exist in this country will somehow be disrupted and affected in the next 20 years.

How big of a concern is that? And should we be talking about these policies really in that context? Because it is one thing to talk about how we have to help the 6.7 percent of the country that is unemployed, which is a tragedy, and we should be doing everything possible. But I worry that even as we have continued economic growth, the sheer number of human beings who are going to be affected by these trends is massive.

And there could be other shoes to drop in the employment market even as our economy does well. So I would be interested in your thoughts on that.

Dr. Furman. I think that is one of the profound somewhere between a challenge and open question facing our economy today. And, you know, we have seen it for a while that tasks that are repetitive, that don't require certain types of complex pattern recognition, you know, that machines can do them rather than people, and that to some degree has led to a polarization of the workforce.

That there are certain very manual jobs that actually can't be easily replaced by a machine, and you still have those, and certain higher level jobs that also can't be, and a bunch in the middle have been hollowed out. And the answer to that is not less technological change, even if we knew how to bring about less technological change. A lot of that has to be on the human side and what you are doing in terms of equipping people with the types of skills so that their skills are complementing those machines and technological innovations.

In which case their productivity rises and their wages go up with those technological changes rather than, you know, those machines and innovation substitute for them, in which case their wages go down.

Representative Delaney. And not to interrupt you, but just to put what you are talking about in perspective, what percentage of the population of the working Americans—not a precise number, but an estimate——

Dr. Furman. Right.

Representative Delaney [continuing]. Do you think will face kind of headwinds as it relates to the viability of the job they have today, whether it is them or someone else having it, across the next 20 years?

Dr. Furman. I have seen some of the estimates you referred to.

Representative Delaney. Yes.

Dr. Furman. I don't have a particular number I associate with it. And I do think the main way it manifests itself is not in somebody losing their job because their job was replaced, but their wage going down. And we have seen some of that in the last decade.

And there is certainly potential for more of that if we don't harness technological change and use it, you know, to benefit and bring people up.

Representative Delaney. Right. And, you know, because I just think so many of the policies that the President talks about, that I hear you talk about often, so many of us talk about, really are incredibly relevant for this challenge, and are almost unfairly framed in the limited context of trying to help the 6.7 percent that are unemployed. They will clearly help those people.

But I think the magnitude of this challenge for the American workforce is staggering, and we should be talking about some of these policies as it relates to people who already have jobs as well.

So thank you.

Chairman Brady. Thank you.

Mr. Cummings.

Representative Cummings. Thank you very much, Mr. Chairman.

It is good to see you again, Mr. Furman. One of the things that concerns me is income insecurity for people going into retirement. We have got 401(k)s today that aren't worth very much, I mean if you look at the stats. You see what is happening in the pensions. They are going down. You got a lot of people who are unemployed now. So that may affect them in some way. They don't have any savings because they are trying to help their kids, or trying to help a relative that doesn't have money. And so I was glad to see the President back off of that chained CPI.

But, are we looking down the road? Because it seems like there are going to be a lot of people who are going to fall off a cliff with all the cutbacks. And I am just curious, what do you see there; and what are we doing to kind of help people have a soft landing when they get there?

Dr. Furman. So I very much agree, Congressman, with your diagnosis of the problem. And in terms of the solution, partly it is to make sure more Americans have opportunities to save for retirement.

The President took a step administratively in directing his Treasury to establish accounts called myRAs that would be a starter savings account that would be very safe, it would have very low fees. For people that don't have accounts at work, a way for them to be introduced to savings.

Legislatively, he has a proposal that was originally developed by the Brookings Institution and the Heritage Institute to have automatic workplace pensions, so everyone would have a pension at their workplace. There would be essentially no net cost for businesses to do that because they would be reimbursed for that cost, and it would give families the opportunity to save.

Beyond that, though, I think we need to be continuing to look at this issue.

Representative Cummings. On another subject, some have suggested that States should not participate in the Medicaid expansion that is part of the Affordable Care Act because the expansion will eventually result in some unfunded liability for the States when the Federal share of the costs of the expanded program is reduced.

Can you explain why this is not true? And can you explain the benefits to a State of participating in the expanded Medicaid program?

Dr. Furman. Sure.

So for the next three years, Congressman, as you know, States have to pay nothing for their expansion populations in Medicaid. That would eventually rise to 10 percent. A 10 percent State match is considerably smaller than the match for most Federal-State programs, including what Medicaid has been for decades now.

And, there is also a set of benefits, above and beyond your population being covered in terms of helping your overall health system reducing some uncompensated care costs for your State. And the Counsel of Economic Advisers did an analysis in 2009 that found in the case of many States, those other benefits would well more than outweigh just even the purely fiscal costs to their State, not even counting the benefits of the extra people that were covered.

Representative Cummings. So you got people who are sick, and there is money available, they cannot take advantage of it because they can't—some governors won't allow that to happen, the Medicaid piece. And so there are jobs associated with that too. Is that what you are saying?

Dr. Furman. Yes.

Representative Cummings. Lots of jobs. To me I find it simply incredible. In our State, we have something called Health Care for the Homeless. And before they would depend on charitable donations completely.

I am talking about Maryland. So then once this happened, and they started enrolling people in Medicaid, then they had a way of helping these people, and they can do even more. Throughout the country, I understand that there are some hospitals that are literally having to shut down some units, particularly charity-type care, uncompensated care units because they don't have enough money to keep them going.

Although the money is sitting right there in the Affordable Care Act, and so when you get past that three years what happens? You said three years is 100 percent?

Dr. Furman. Yeah.

When you get past that, as I said, States will—it phases in, but will ultimately have to pay 10 percent of the costs. But in exchange for that, you get not just a substantial increase in coverage, but you get lower costs imposed on your health system by the uninsured people that you are covering, and you know, potentially get additional fiscal benefits from that, as well as the benefits for the millions of people that would be covered.

Representative Cummings. Thank you, Mr. Chairman.

Chairman Brady. Thank you.

Former Chair Maloney.

Representative Maloney. Thank you, Mr. Chairman. And it is a pleasure to welcome Chairman Furman.

Dr. Furman, in your report you are showing us that we have had 48 consecutive months of job growth. And private employment has risen by 8.7 million. And I couldn't help but see your chart that when Obama was sworn-in in 2009, our economy was losing roughly 700,000, 800,000 jobs a month. So it has been a difficult time, but it is good to see that we are now growing jobs, not shedding jobs. So I congratulate you for that. But there is still much more that needs to be done.

In the February payroll survey, you note there is roughly 162,000 total nonfarm jobs were added. Yet if you look at the household survey during that period, although they are not completely the same, but 111,000 multiple job holders increased. It increased by 111,000. Does that mean that 111,000 of the 175,000 are people that are now taking on two, three jobs?

Dr. Furman. That would literally be what it means. That household survey that you just referred to is very volatile from month to month. So I wouldn't personally place a lot of weight on one month's data in it. But that is what it would literally mean.

Representative Maloney. So that 111,000 of the 162,000 are people taking on two or three jobs. That certainly shows the need for raising the minimum wage, for goodness sakes, that you have to take two or three jobs to make ends meet. And one of the things in the surveys that were somewhat troubling to me is that a quarter to a third of them, the job gains that we were getting were in the two lowest paying areas, retail and leisure and hospitality.

So my question is does that disturb you that the job gains are in the lowest paying categories? What kind of policies could address this?

Dr. Furman. Right. Well, I think we would like both more better paying jobs—but we also are going to have a range of jobs in our economy, and we would like to see the wages for all of those rising.

So something like the minimum wage, which you just cited, is a good way to take a lot of people who are going to work in those sectors, and that is a great job for a lot of people, but there is no reason they should be in that job making $14,000 a year if they could be in those jobs making $20,000 a year or more. And that is why we would like to raise the minimum wage.

Representative Maloney. Now, also of concern to me is the work week. Now, the work week is behind where it was when the recession began, and we are now on the average of 34.4 hours in a week. And when you look at a 34.4-hour week as opposed to a 40-hour week, in a sense you are looking at the same thing as cutting jobs.

So what in the world can be done about that? That is not a good trend that the work week is getting less and less and less. And is that a consistent trend? How long has it been that we—actually, it is behind when the recession began. So that has been since 2008 that we were getting a shrinking work week. Could you comment and elaborate on that?

Dr. Furman. Yeah, you see a very similar pattern in the work week that you see in the unemployment rate, which is—well, the inverse, a really large decline in the work week in the wake of the recession, and then it coming back up, but not having fully recovered.

So anything that helps our economy fully recover, whether it is the President's growth, opportunity, and security initiative that is in his budget, extending unemployment insurance, or measures like that would help bring the unemployment rate down and the work week up.

Representative Maloney. Well, I can't help but reminisce that the first time I met you, and I was thinking about it, you were testifying before the Financial Services Committee on Social Security, and your testimony was opposed to privatization, that this was not an investment scheme, this was a safety net.

In this hearing, I will never forget it, Ranking Member Klobuchar, it went on for about eight hours, maybe nine hours. It started in the morning and went into the night. It was just ferocious, ferocious hearing. And we won, basically, the Democrats won in that we preserved Social Security as a safety net. It was not privatized. At that time of that hearing, our economy was roaring. Many people were arguing we should privatize it, this will be good for the elderly and for those that need the social safety net.

I would just like to, as an economist, what would have happened if we had privatized Social Security and then had that huge economic downturn in 2008? What would have been the impact on the economy and on individuals?

Dr. Furman. One of two things would have happened. Either there would have been a large reduction in benefits for households or there would have been a large outcry, and Congress would have reversed it, in which case there would be a large cost shifted to taxpayers.

Representative Maloney. My time has expired. Thank you for your testimony.

Chairman Brady. Thank you.

Thank you, former chairman. I can't tell you how much I disagree with that whole description of that process. And there are serious disagreements about what the best way forward is to get this economy back to where both parties want it.

Nonetheless, I am really pleased, Chairman, that you were here today and were willing to meet with us very promptly. Usually not in our normal meeting location or time necessarily, which reflects some of the attendance today.

But again, thank you for being here. This is an important discussion for the economy. Look forward to working with you further.

With that, the meeting is adjourned.

[Whereupon, at 3:24 p.m., the committee was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF HON. KEVIN BRADY, CHAIR, JOINT ECONOMIC COMMITTEE

Today we will hear testimony from Dr. Jason Furman, the Chairman of the Council of Economic Advisers, on the Economic Report of the President that was released on Monday. I thank Dr. Furman for testifying so promptly after the Report's release.

Families on Main Streets across America are suffering from a disappointing economic recovery that still feels like a recession to them. Due to the alarming "Growth Gap" that describes the gap between the Obama recovery and other average recoveries of the past 50 years, America is missing 5.6 million private sector jobs and $1.3 trillion in real GDP from the economy.

Using the latest economic buzzword from the President's report, "job years," we are also missing over 18 million private sector job years.

Wall Street is roaring, thanks to White House policies, but middle class families are being left behind. The S&P 500 total return index adjusted for inflation is up 98% since the recession ended but real disposable income per person has risen a mere 3.6%. To put it another way, under President Obama's economic leadership, for every new dollar of disposable income a person receives, Wall Street has gained $27 dollars in value.

No wonder income inequality is a concern.

Clearly President Obama inherited an economic mess. The question before this Committee is whether "staying the course" will close the alarming growth gap and provide real opportunity for middle class families and Main Street businesses left behind in this recovery.

In both the President's budget presented to Congress last week and the Economic Report of the President, it's clear the White House is stubbornly adhering to the current "slow growth" policies that much of America has lost confidence in.

For example, using a Keynesian analysis that focuses solely on aggregate demand, the Report asserts that the American Recovery and Reinvestment Act added about two percent to real GDP between the fourth quarter of 2009 and the second quarter of 2011. Many economists disagree. For example, John Taylor found that the stimulus had little positive effect.

The Report praises infrastructure investment—which has bipartisan support—yet ignores the President's decision to block a major, privately funded infrastructure project—the Keystone XL pipeline.

The Report lauds the Administration's success in promoting alternative energy but ignores the shocking waste of precious taxpayer money to failed companies like Solyndra and others.

Ironically the Report claims credit for increasing oil and natural gas production while ignoring the fact that this occurred on private and state lands while the White House has further restricted access to public lands.

Moreover, the Report fails to acknowledge the harmful effects from the White House's regulatory onslaught against American business—and does the same for President Obama's insistence at the end of 2012 on higher taxes on small businesses and successful Americans as a condition of renewing middle-class tax relief.

Not surprisingly, policy uncertainty remains unprecedentedly high four and a half years into this disappointing recovery.

The Report makes a great effort to blame congressional Republicans for the fights over increasing the debt ceiling and the temporary government shutdown which created more policy uncertainty, but ignores the even larger uncertainty the White House has created with the call for higher taxes, less American-made energy, burdensome regulation, and the President's Affordable Care Act.

The Report observes that business fixed investment has been unusually weak—which this committee has been highlighting for some time. Indeed, real fixed business investment finally reached its fourth quarter 2007 level in the most recent report on GDP.

The Report asserts, "The pace of growth of business fixed investment is puzzling because interest rates are low and internal funds available for investment are high."

The reason for this weakness is staring the CEA (Council of Economic Advisers) in the face. Economic growth is a function of both supply and demand, yet the Report focuses on aggregate demand.

Businesses don't make investment decisions based solely on their assessment of future demand. They also consider cost. Supply-side factors such as taxes and regulations are at least as important as demand-side factors.

This Administration has increased both the expected after-tax cost of new business fixed investment and heightened uncertainty. It was entirely predictable that sluggish business fixed investment would produce a weak recovery. Is no one at the

White House listening to local businesses? They've been telling you this for years—and continue today.

I'll conclude with this. While the Report identifies issues worth a thoughtful, bipartisan discussion, too much energy is again wasted attempting to shift the blame for this anemic recovery to anyone or anything other than the leadership of this White House and this President.

The Report impugns a variety of headwinds from droughts to the Euro-crisis. However, other Presidents—Kennedy, Reagan, and Clinton for starters—overcame the headwinds of their time and achieved superior economic results for American families and businesses.

President Obama has an opportunity to do the same. I urge him to work with Congress to grow the economy in ways that have been shown to work.

Chairman Furman, I look forward to your testimony.

Prepared Statement of Jason Furman, Chairman, Council of Economic Advisers

Chairman Brady, Vice Chair Klobuchar, and Members of the Committee—thank you for the chance to appear here today. The 2014 Economic Report of the President discusses the progress that has been made in recovering from the worst recession of our lifetimes, and President Obama's agenda to build on this progress by creating jobs and expanding economic opportunity.

Last Friday, we learned that businesses added 162,000 jobs in February, so that over the last 48 consecutive months of job growth, private employment has risen by 8.7 million (Figure 1). The unemployment rate ticked up one-tenth of a percentage point in February, but it has still fallen half a percentage point on balance since October, with the entirety of that decline attributable to gains in employment. Nevertheless, essentially all the remaining elevation in the unemployment rate is due to long-term unemployment, which represents one of our most pressing economic challenges (Figure 2). In January, the President hosted a summit at the White House and announced some important new steps to help the long-term unemployed, and we still hope Congress will join us in this continued effort by reinstating extended unemployment insurance for the more than 2 million job-seekers that have lost a vital lifeline since the end of last year.

The economic recovery is well underway, but it remains incomplete, and much more work is left to be done, in large part because of the depth of the hole out of which we are still digging. As discussed in this year's Economic Report of the President, recoveries from financial crises are challenging because heavy household debt burdens and tight credit conditions can linger for years, constraining spending and investment. However, among the 12 countries that experienced a systemic financial crisis in 2007 and 2008, the United States is one of just two in which output per working-age person has returned to pre-crisis levels (Figure 3). The fact that the United States has been one of the best performing economies in the wake of the crisis supports the view that the full set of policy responses in the United States made a major difference in averting a substantially worse outcome—although, as I said, more work remains to be done.

This year's Report provides an in-depth look at one major aspect of the policy response to the crisis: the Recovery Act and more than a dozen subsequent pieces of fiscal legislation, including the payroll tax cut, small business tax cuts, incentives for business investment, and extended unemployment insurance. Our analysis finds that the effects of these steps were substantial. Specifically, the Recovery Act alone raised the level of GDP by between 2 and 2.5 percent from late 2009 through mid-2011. Combining the effects of the Recovery Act and the additional fiscal measures that followed, the cumulative boost to GDP from 2009 through 2012 is equivalent to 9.5 percent of fourth quarter 2008 GDP (Figure 4). The Report also demonstrates that the Recovery Act's support for household incomes prevented millions from slipping into poverty over the last few years, a continuation of a longer-running trend in which essentially all of the progress we have made in the War on Poverty has come as a consequence of policies like tax credits, Social Security, unemployment insurance, and nutrition assistance.

Looking ahead, this year's Report also identifies several key reasons that the Administration, like other forecasters, expects growth to strengthen in the coming years. One key reason that growth is expected to pick up is that households have made substantial progress in deleveraging, putting them in a better position to increase spending going forward. Specifically, household debt has fallen from a peak of about 1.4 times annual disposable income in the fourth quarter of 2007 to 1.1 times annual disposable income in the fourth quarter of 2013. Similarly, the average required minimum payment on household debt has fallen from a high of 13 percent of disposable income in the fourth quarter of 2007 to 10 percent in the third quarter of 2013, the lowest since the data begin in 1980 (Figure 5).

It is important to note that while these figures paint a picture of improvement in the aggregate, many middle-income households have seen little benefit from recent stock market gains and are still grappling with the implications of home prices that, despite recent progress, remain well below their previous highs. I'll return to say a bit more about steps the Administration is taking to expand economic opportunity for these households in a moment.

Staying on the near-term outlook, I would add that other reasons to expect stronger growth in 2014 include diminished fiscal drag, a recovery in asset values, strengthening among some of our key international trading partners, and demographic forces that are expected to maintain upward pressure on housing starts—although all of these factors need to be balanced against the uncertain risks that can always adversely affect the economy.

Looking over a longer time horizon, the Report identifies a number of emerging trends that can support a stronger economy on a sustained basis into the future, including improvements in the production and use of energy, the slowdown in the rise of health care costs, and technological advances.

The Administration is not sitting back waiting for these trends to unfold, and the President has set out an ambitious agenda to capitalize on these opportunities and make further progress. Specifically, the President's agenda is designed to address three key imperatives: first, it continues to restore the economy to full potential; second, it expands the economy's potential over the long run; and third, it helps ensure that all Americans have the opportunity to realize their full individual potential.

To return the economy to its full potential more quickly, the President's budget includes an Opportunity, Growth, and Security initiative, which will finance additional discretionary investments in areas such as education, research, infrastructure, and national security. The initiative is evenly split between defense and nondefense and is fully paid for with mandatory spending reforms and tax loophole closers. The President has also called for steps to couple business tax reform with a major effort to upgrade our Nation's infrastructure.

These steps will not just help speed the economy's return to full potential in the near term, but will expand that potential over the long run by making critical investments in infrastructure and the skills of American workers, and by reducing distortions in the business tax code. Another key step to grow the economy's long-run potential is immigration reform, which would help attract a new wave of inventors and entrepreneurs to American soil. The President is also looking for ways to support the historic gains in the domestic energy sector that we have seen in recent years. Finally, innovation is key to long-run growth and should be supported with everything from tax incentives for R&D to investments in basic research to policies like patent reform and freeing up spectrum for mobile broadband.

The final areas of policy would help ensure that every American has the opportunity to realize their full individual potential. Since the late 1970s, income inequality has risen dramatically, and at the same time, intergenerational mobility has remained relatively low. The President has said that restoring a greater measure of economic opportunity in the face of these long-standing trends is "the defining challenge of our time."

The President's opportunity agenda includes an increase in the minimum wage and an expansion of the Earned Income Tax Credit, which would lift millions out of poverty. The Opportunity, Growth, and Security initiative would help provide funding for every American child to attend high-quality pre-school, because investments in early childhood development are among the best investments we as a society can make. Implementation of the Affordable Care Act is another critical step in this direction, as it is helping to provide financial security for more American families and to slow the growth in health care costs that cut into workers' take-home pay.

This is just a brief overview of the economic outlook and some of the President's priorities as described in our new Report. The Report also contains analysis and discussion of the Recovery Act and subsequent jobs legislation, the causes and consequences of the slowdown in health costs, the role of technology in the economy, the lessons we have learned 50 years after the beginning of the War on Poverty, and a discussion of the importance of Federal program evaluation. I would be happy to take your questions on these or any other economic topics.

Testimony on the 2014

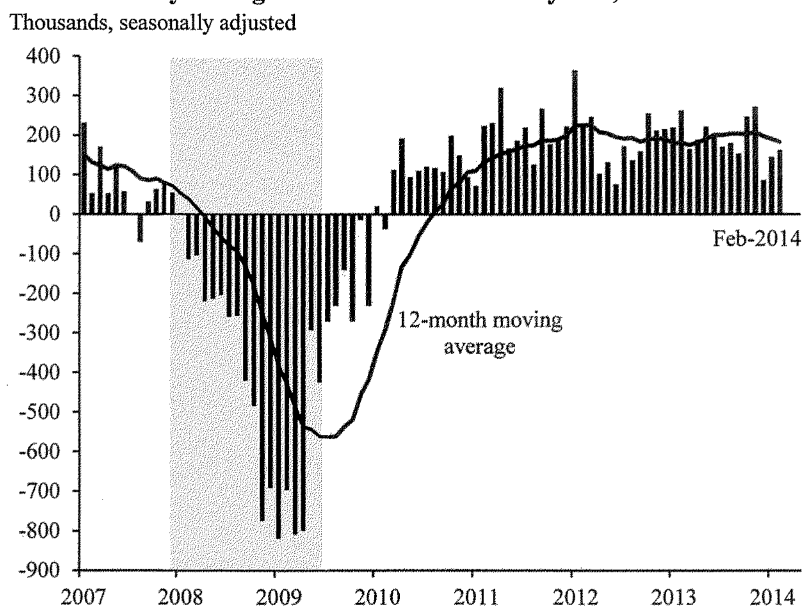
Economic Report of the President

Jason Furman
Chairman, Council of Economic Advisers

March 13, 2014

Businesses Have Added 8.7 Million Jobs Over 48 Consecutive Months of Private-Sector Job Growth

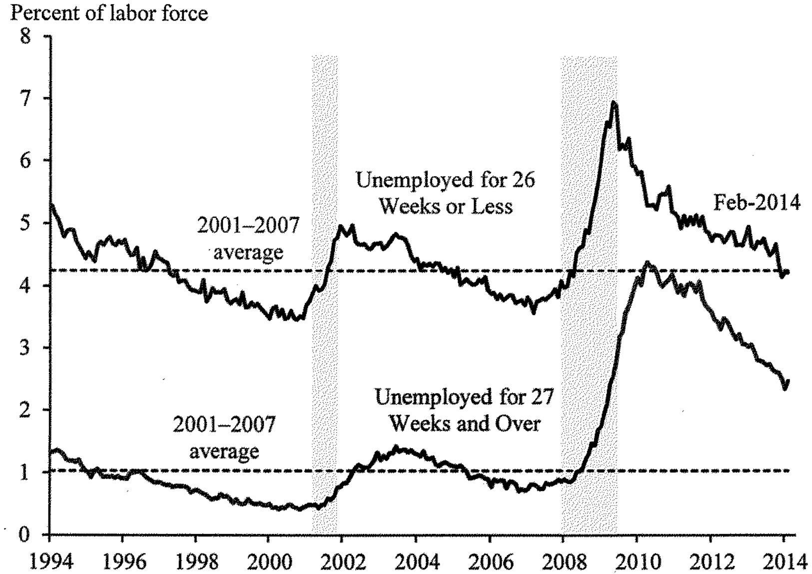
Figure 1
Monthly Change in Private Nonfarm Payrolls, 2007–2014



Note: Shading denotes recession.
Source: Bureau of Labor Statistics, Current Employment Statistics.

The Remaining Elevation in the Unemployment Rate is Primarily Due to Long-Term Unemployment, Which is One of Our Most Pressing Challenges

Figure 2
Unemployment Rate by Duration, 1994–2014

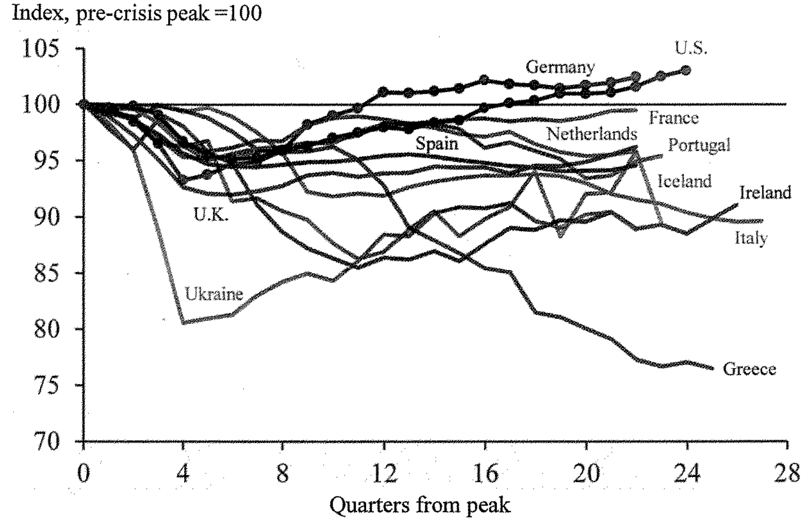


Note: Dotted lines represent average during the December 2001 to December 2007 expansion period as defined by the National Bureau of Economic Research. Shading denotes recession.
Source: Bureau of Labor Statistics, Current Population Survey; CEA calculations.

U.S. is One of Just Two Countries that Experienced a Financial Crisis in '07-'08 and Has Since Seen Output Per Working Age Population Recover to Pre-Crisis Levels

Figure 3

Real GDP Per Working-Age Population in 2007–2008 Banking Crisis Countries, 2007–2013

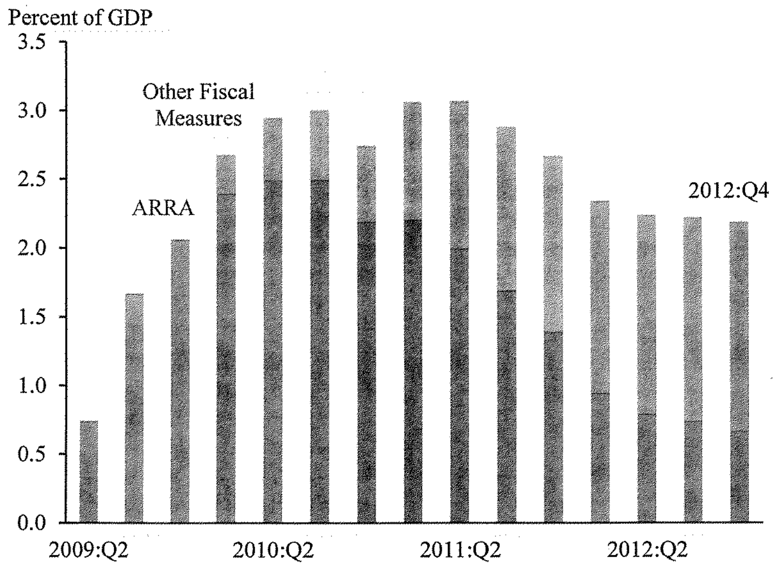


Note: U.S. as of 2013:Q4, all others as of 2013:Q3 except Iceland (Q2). Working-age population is 16-64 for U.S. and 15-64 for all others. Population for Ukraine is interpolated from annual estimates. Selection of countries based on Reinhart and Rogoff (forthcoming).
Source: Statistical Office of the European Communities; national sources; CEA calculations.

The Recovery Act and Subsequent Fiscal Legislation Cumulatively Added 9.5 Percent to GDP From 2009 to 2012

Figure 4

Quarterly Effect of the Recovery Act and Subsequent Fiscal Measures on GDP, 2009–2012

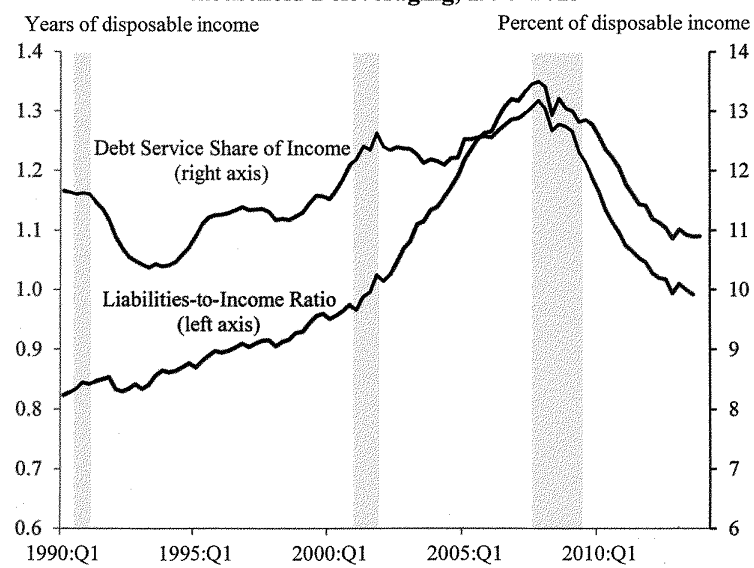


Source: Bureau of Economic Analysis, National Income and Product Accounts; Congressional Budget Office; CEA calculations.

Households Have Made Substantial Progress Deleveraging, Paving the Way for Stronger Increases in Consumer Spending Going Forward

Figure 5

Household Deleveraging, 1990–2013



Note: Shading denotes recession. Debt service as of 2013:Q3; liabilities as of Q4.
Source: Federal Reserve Board, Financial Accounts of the United States.