



# COMMITTEE ON APPROPRIATIONS

DAVID R. OBEY, CHAIRMAN

Tuesday, March 16, 2010

Press Contact: Ellis Brachman / Jenilee Keefe Singer (202) 225-2771

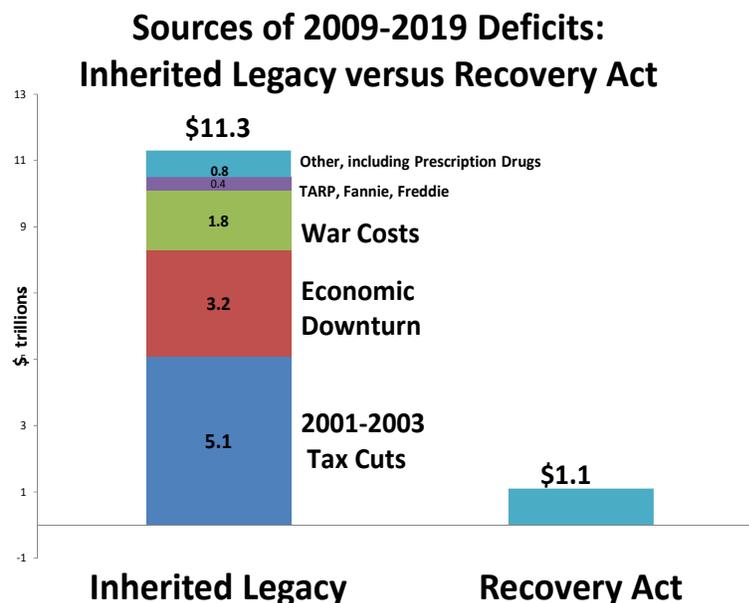
**Opening Statement  
Chairman David R. Obey  
House Appropriations Committee  
Hearing on the FY 2011 Budget & Economic Outlook  
with Peter Orszag, Tim Geithner, and Christina Romer  
(As Prepared for Delivery)**

We are here today to discuss the budget and economic situation and plans for the coming year. These plans need to be put in proper context. President Obama inherited four major cost drivers – the cost of two wars, the cost of TARP, the revenue loss due to the economic downturn, and the revenue loss due to two unpaid-for tax cuts benefiting the wealthy. These circumstances didn't happen overnight, and they can't be fixed overnight either.

However, the American people are very clear in their expectations. Their main concerns are jobs, family income and keeping the US strong – at home and abroad.

President Obama, as virtually his first action last year, asked Congress to pass an economic recovery package aimed at reducing job losses and preventing another Great Depression.

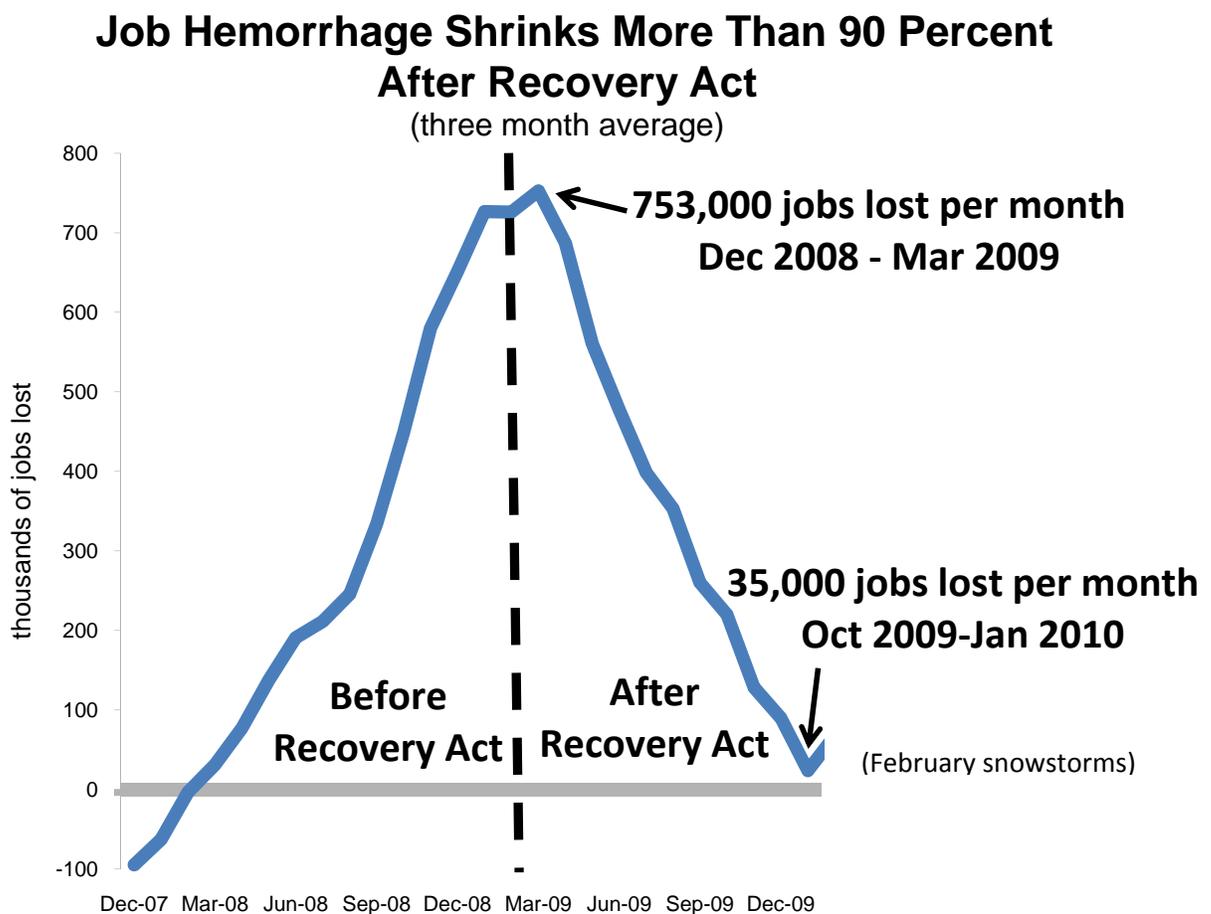
For context, the cost of the Recovery Act, including interest, is less than ten percent of the total deficit legacy that we face over the coming years.



We must address the debt and budget deficits for the long term health of our nation. As we do so, we must not fail to deal with three other serious deficits: a jobs deficit, an income deficit, and an opportunity deficit.

We have lost 8.4 million jobs since December 2007. Almost one tenth of the labor force is unemployed and one-sixth is either unemployed or underemployed. To ease that job loss we passed the Recovery Act.

Some people say that the Recovery Act has not saved a single job. If they cannot see that that assertion is not true it is simply because they don't want to see. As chart two shows, between December 2008 and March 2009, we lost 753,000 jobs a month. We enacted the Recovery Act in February, 2009 and it took several months to begin to take hold. As the chart demonstrates, in the three months from October, 2009 to January, 2010, that job loss declined from a high of 753,000 to 35,000, a 95% reduction.



While none of us will be satisfied until the economy is once again adding jobs, we have come a long way in the last year in turning this picture around.

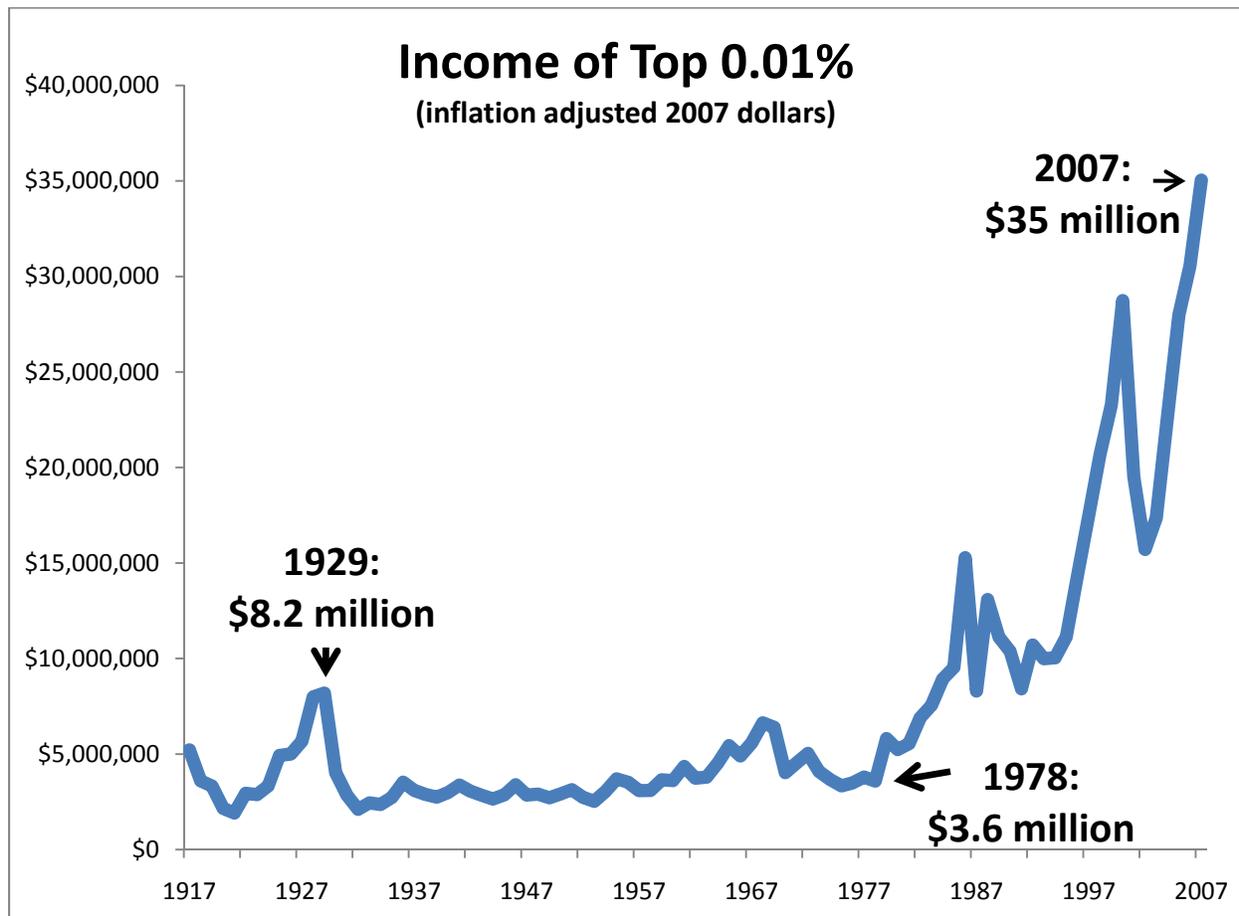
In each of the last couple of months, full time employment has actually grown by hundreds of thousands. However, the hole is deep and it will take time and constant effort to fill it.

You know every week someone asks me why Americans are so angry. I would ask it another way – why on earth wouldn't they be angry? They have been given the shaft for most of the last decade. The fact is most Americans are suffering from a different kind of deficit, an income deficit.

From the New Deal until a generation ago, incomes were growing at about the same rate for everyone – from working families to the richest among us. Since the 1970s, however, almost all income gains have gone to the top.

Income for the middle fifth of American families rose only 15 percent from 1979 to 2006, and most of that growth came about because women are working much longer hours each year than three decades ago. In contrast, those with incomes in the top ten percent saw their income grow 133%. Those in the top ten percent now receive half of all income in America.

Those even higher on the income ladder have had mindboggling income gains. In 2007, the average income of the top one hundredth of one percent reached \$35 million, up almost ten-fold over the last three decades. Meanwhile the rest of society was getting table scraps. We have seen the largest transfer of income up the income ladder in recorded economic history. Why shouldn't middle income taxpayers be angry?

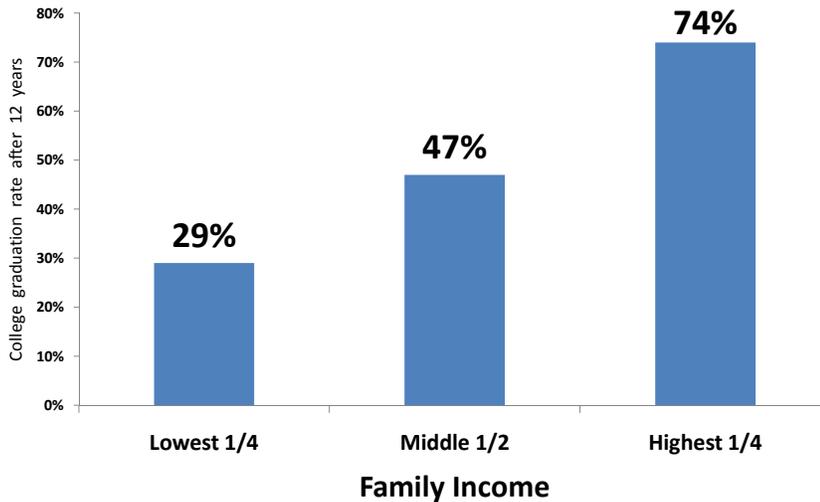


And since 2000, this income deficit has only been made worse by passage of huge tax cuts tilted toward the rich. Some are still pushing to eliminate the estate tax that affects only the richest. That is a prescription not to heal the patient but to poison it.

What can we do to restore balance and budget discipline? Enacting health care reforms would create an important safety net for working families. Allowing tax cuts for the top two percent of income to expire as scheduled would also make sense.

And there is one more deficit we should confront – the opportunity deficit. The opportunity deficit is perhaps the most troubling of all that we face. Many studies have shown that family income is a greater determinant of college graduation than the aptitude of the student. Among students who scored in the top quarter on 8<sup>th</sup> grade math tests, the child of a wealthy family graduated from college 74 percent of the time, while the child who came from a poor family graduated only 29 percent of the time even though they demonstrate the same ability. As a matter of justice, we must provide these low and middle income kids the better educational opportunities they need and deserve.

### Effect of Family Income on College Graduation Rates of Top Quarter of 8<sup>th</sup> Graders



So, in summary, this is the context that I will examine your budget proposal – the context of how jobs will be created, how income differences will be reduced, and how opportunities will be created for those in the middle and lower rungs of the income ladder.