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## **EDUCATION & LABOR COMMITTEE**

**Congressman George Miller, Chairman**

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### **Economy May Slip Into Deep Recession Unless Immediate Action Taken, Witnesses Tell House Panel**

*Economists Predict Unemployment Could Top Eight Percent; Middle Class Incomes Could Drop by \$2,500 Next Year*

**WASHINGTON, D.C.** – The American economy could slip into a deeper recession unless immediate action is taken to stem the tide of rising unemployment and falling family incomes, witnesses told Congress today.

During the hearing, conducted by the House Education and Labor Committee, economists predicted that, based on past recession trends unemployment could soon reach eight percent or higher, and middle-class families' incomes could drop by more than \$2,000 this year.

“It is urgent that we prepare now to take the next steps to rescue the economy by creating jobs, providing immediate relief to the states and small businesses, and by making real investments in energy, technology and education,” said [U.S. Rep. George Miller](#) (D-CA), the chairman of the committee. “We must have a plan that speaks directly to the needs of American families and workers today.”

The number of out of work Americans has increased by 2.2 million in the last year. They join more than 2 million workers who have been unemployed longer than 27 months. In October, many workers began exhausting their unemployment insurance benefits. By the end of this month, an estimated 775,000 workers will be left without a safety net, and a total of 1.1 million workers will be in the same straits by the end of the year.

In a letter to Chairman Miller released at the hearing, economist Alan Blinder of Princeton University predicted that “unemployment will top out in the 8-8.5% range” if the coming recession is as severe as the recessions of 1981-82 and 1973-75. “My worry,” [wrote Blinder](#), “is that we may be heading in that direction.”

“We are clearly in the early stages of a potentially very serious recession that will likely be as deep as anything we have experienced in a generation,” said [Ron Blackwell](#), chief economist of the AFL-CIO. “Just how deep and protracted this recession will be depends on a timely, aggressive and well-focused economic recovery package.”

To help families make ends meet while they look for a new job, the Democratic Congress voted to extend unemployment benefits in early October. Unfortunately, that effort was blocked by Senate Republicans. The Bush administration threatened to veto the extension claiming it would encourage out of work Americans not to find a new job.

“There is nothing enjoyable about being up at night worrying about how you are going to make ends meet,” said [Dana Stevens](#), an unemployed worker from Thorofare, NJ. “For anyone to suggest that receiving unemployment is like getting a free vacation is insulting and degrading to the millions like myself who are desperately trying to get back to work.”

Millions of workers not only lose their jobs during a recession, but household incomes for those with a job also decline on an average of four percent. [Jared Bernstein](#), director of the Living Standards Program at the Economic Policy Institute, said that if past trends repeat themselves this time around, middle-class families’ who earn around \$60,000 will see their income fall about \$2,500 this year.

“Due to factors regarding job loss, fewer hours, and the slower wage growth driven by the weaker job market, incomes usually fall in recessions,” said Bernstein.

In September, the House of Representatives also approved an economic rescue and job creation package to help head off a deeper recession. It would have created good-paying jobs by investing in new energy technology and infrastructure. The bill would have also provided access to job training and helped working families with grocery and health care bills. Senate Republicans and the Bush administration also opposed this effort.

Many economists say that making infrastructure investments are some of the most effective uses of federal dollars that create jobs in both the short-term and the long-term.

[Robert Pollin](#), a professor of economics at the University of Massachusetts-Amherst, said a \$150 billion job creation program will create 2.9 million jobs in the short-term alone.

“In the midst of the severe financial crisis and deepening recession, it is imperative that the federal government take action as soon as possible to counteract the downturn,” said Pollin.

Pollin’s latest research also reveals that infrastructure investment produces a second wave of private sector job creation within two years, pushing the 2.9 million new jobs up to 3.3 million new jobs in a two-year time frame.

To encourage long-term job creation, investments are needed to build the nation’s technological backbone that will help foster growth in the emerging high-tech industry and green economy.

“Advanced networks will allow increased opportunities for the creation of even more highly skilled technology jobs to invent new products and improve existing ones in the vital areas of energy, health care, education, public safety and services,” said [Christopher Hansen](#), president and CEO of AeA. “These are the jobs of the future.”

For more information on today’s hearing, [click here](#).

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