



The Daily Dish

JEC Response to ERP

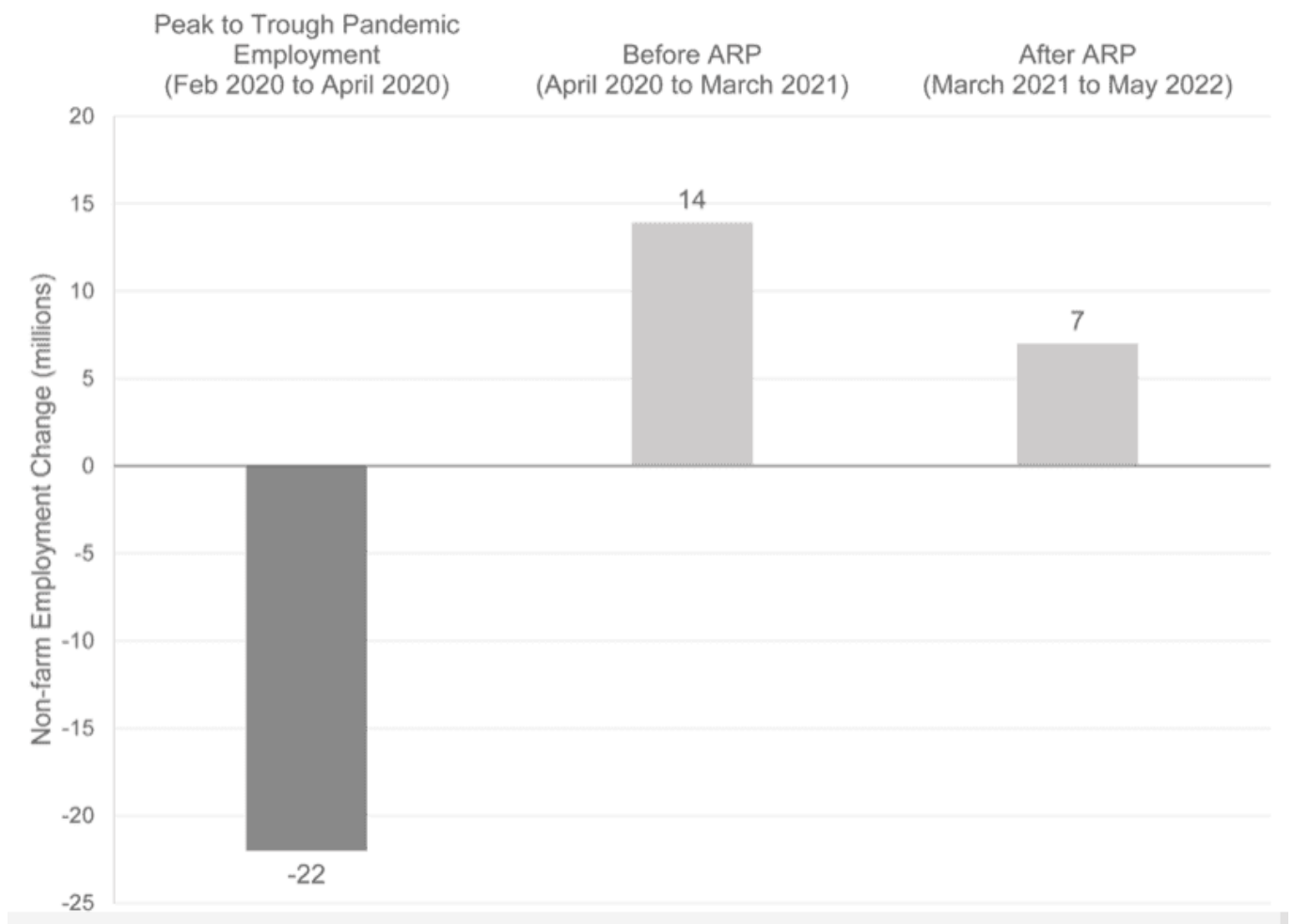
DOUGLAS HOLTZ-EAKIN | JUNE 27, 2022

Friday, the Joint Economic Committee (JEC) minority released its [response](#) to the 2022 [Economic Report of the President](#) (ERP). Many people are unaware that the Employment Act of 1946 created both the Council of Economic Advisers (CEA), which advises on the ERP, and the JEC. It also set up a process by which the JEC provides a congressional response (“Response”) to the policies proposed in the ERP. It is easy for this important process to get lost in the news cycle.

To my eye, the Response has two significant contributions: (1) a compelling narrative about the impact of the administration’s policies that stands in stark contrast to the ERP, and (2) an insightful critique of the administration’s unwillingness to engage in policy debate on the terms set out in the Employment Act itself.

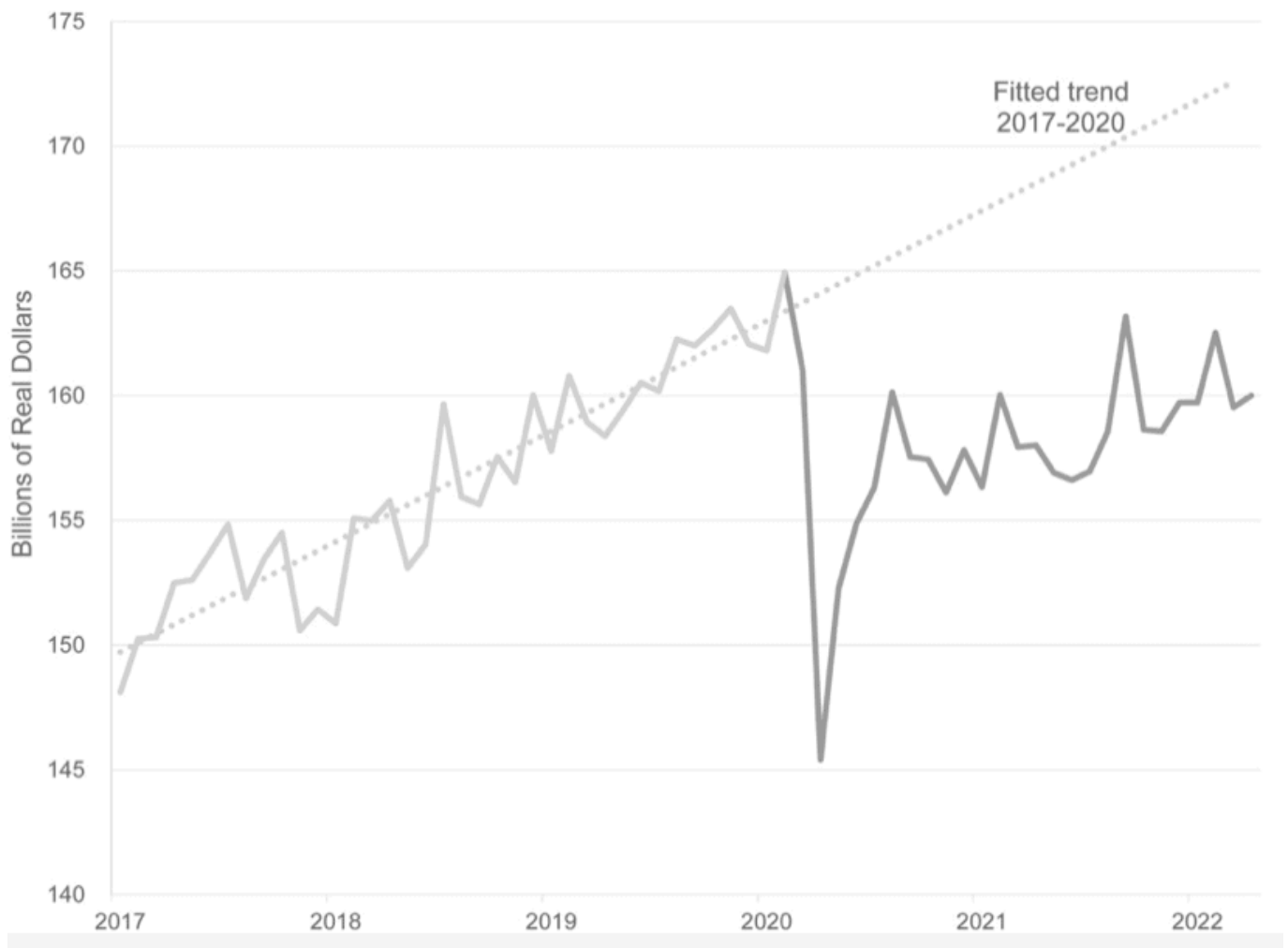
On the former, two graphs (reproduced from the Response) capture the essence of the critique. The first (“Figure 3-2”) focuses on employment growth in the recovery both prior to the American Rescue Plan (ARP) in March 2021 and after its passage. As it makes clear, of the 22 million jobs lost during the pandemic downturn in 2020, 14 million were recovered in the 12 months prior to the ARP. In contrast, in the 14 months after the passage of the massive \$1.9 trillion “stimulus,” only 7 million additional jobs were recovered. In contrast to the monthly hyperventilation by the administration on its jobs “success,” the ARP policies have slowed the economy.

Figure 3-2: Employment Loss and Recovery Pre and Post American Rescue Plan, February 2020-May 2022



Similarly, the labor market is not delivering the economic growth that one would expect. As shown below (“Figure 3-4”), real (inflation-adjusted) weekly earnings recovered quickly initially, but have flattened out and not continued to recover toward the pre-pandemic trend. The Response provides details of the failures of the White House policies.

Figure 3-4: Aggregate Real Weekly Earnings for All Workers, Billions of 2022 Dollars, Monthly, January 2017-April 2022



The second critique is that the administration has dodged its responsibility to defend its progress on the goals of the Employment Act. As the Response notes:

“In 1946, President Harry S. Truman signed the Employment Act, establishing a national policy focused on promoting employment, production, and purchasing power:

The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government...to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power.

The Employment Act requires the President to transmit to Congress the Report each year,

reporting on progress in promoting employment, production, purchasing power, and the policies that could further these goals.”

That, however, is not what the ERP does. Instead, the Response notes that: “The Report focuses largely on metrics of race, gender, equity of outcomes, and environmental indicators. A search of the text reveals that race (95 instances), gender (127 instances), inequality (147 instances), and carbon (105 instances) are each mentioned more often than inflation (86 instances). The Report’s section on ‘Progressive and Equitable Tax Policy’ considers significantly higher taxes on investment income to meet goals of ‘racial and ethnic equity in the tax code.’ Nowhere does it consider the economic consensus that tax increases reduce economic growth.”

The administration’s policies are not meeting the full employment and price stability goals of the Employment Act. But rather than engage in a debate on the best ways to meet these widely accepted goals, the administration has chosen to simply assert that its arbitrary, partisan objectives are appropriate terms of debate.