

Congress of the United States

Joint Economic Committee

Democrats

Opening Statement Representative Pete Stark Joint Economic Committee Hearing May 21, 2003

Thank you Chairman Bennett for holding this hearing. I would like to welcome Chairman Greenspan here today.

I expect we will explore topics ranging from the sublime to the ridiculous. In the first category, we face the critical issue of how to put people back to work and get the economy moving again when interest rates are so low that the traditional tools of monetary policy are no longer effective. In the latter category—the ridiculous—we have the Congress pretending that a Rube-Goldberg contraption of a tax cut that mostly favors the well-to-do has anything to do with creating jobs and laying the foundation for sustainable growth.

Let me talk a little about the first topic. I hope, Chairman Greenspan, that you will be able to reassure us that the Fed is committed to getting the economy back to full employment as quickly as possible, and that you have the means to do it. We have lost 2.7 million private sector jobs since President Bush took office, and things aren't getting better. We haven't seen such persistent job loss since the 1930s. The Federal Reserve has said that the balance of risks is tilted toward continued weakness, but what can the Fed do to encourage job creation and growth when interest rates are already very low?

That question is critically important because you may be our last best hope when the fiscal policy coming out of the Congress is a shambles. Using a variety of gimmicks, both the House's \$550 billion and the Senate's \$350 billion tax cut packages squeeze large tax cuts for the wealthy into tighter budget constraints. Without those gimmicks, the true costs of these "more affordable" tax cuts are comparable to the President's original \$726 billion package.

Chairman Greenspan, you have said in the past that you believe the financial markets assumed long ago that the 2001 tax cuts would not be allowed to sunset and that they would be made permanent. Is there any reason to take seriously the sunsets in the 2003 tax cuts moving through Congress now?

Far from being the best policies to get the economy back to full employment as quickly as possible while enhancing its long-term growth prospects, Republican “jobs and growth” plans provide little job-creating fiscal stimulus now when it is really needed, even as they drain national saving through swollen deficits. Their plans weaken our ability to address fundamental future retirement and health care challenges and merely pass along the responsibilities to our children and grandchildren, all for the sake of more tax cuts that primarily benefit the richest of households.

The American economy is “soggy,” according to Treasury Secretary John Snow. One reason is that the President and the Republican Congress continue to pursue trickle-down policies, instead of offering a real jobs and growth plan that would get the economy back to full employment quickly without undermining long-term growth.

The Republicans’ preoccupation with tax cuts leads them to propose inadequate policies for short-term economic stimulus, which would be better achieved by extending unemployment benefits and providing aid to the states.

I look forward to your testimony here today Chairman Greenspan.

#