



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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OPENING STATEMENT OF CHAIRMAN JIM SAXTON *ECONOMIC REPORT OF THE PRESIDENT*

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WASHINGTON, D.C. – I am pleased to welcome Dr. Katherine Baicker and Dr. Matthew Slaughter of the President's Council of Economic Advisers before the Committee this morning. The subject of today's hearing is the *Economic Report of the President*. I would also like to note that the Joint Economic Committee and the Council of Economic Advisers share a common history, and we value our long-standing relationship with the Council.

As the *Economic Report of the President* states, U.S. economic performance has been very strong in recent years. Economic growth has been healthy, the unemployment rate has been falling and is now 4.7 percent, core inflation has been contained, and long-term interest rates remain relatively low. Since May of 2003, payroll employment has increased by 4.7 million jobs. It is worth noting that tax policy and Federal Reserve policy have made important contributions to the economic expansion in recent years.

The tax incentives contained in the 2003 tax bill are among the key reasons for the strong pace of economic growth in recent years. Before 2003, the expansion had been undermined by persistent weakness in business investment. This weakness in investment was the legacy of the many bad investments made before the bursting of the stock market and technology bubbles in the first quarter of 2000. This drag on the economy was overcome by the investment incentives contained in the 2003 tax bill.

Once investment rebounded, the pace of economic growth picked-up sharply. By 2004, the economy was growing at a 4.2 percent rate. Battered by hurricanes and oil price increases, the economy was still able to expand at a rate of 3.5 percent in 2005. Although GDP growth slowed temporarily in the fourth quarter of 2005, the Council, the Federal Reserve, and the Blue Chip consensus forecasts all project continued healthy economic growth through 2006.

The recent historical record shows that the tax incentives in the 2003 Act have worked as designed to restore investment and boost the economy. These tax incentives should be made permanent to sustain investment, economic expansion, and employment growth in the future. The biases against saving and investment ingrained in the tax code should not be permitted to undermine economic growth later in this decade.

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