

United States Senator

BOB BENNETT

Joint Economic Committee

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Bennett Seeks Answers from Chairman Greenspan on Current Economic Condition

Questions Fed Chairman on post-war economy, specter of deflation

Washington, DC— Senator Bob Bennett (R-Utah), Chairman of the Joint Economic Committee (JEC), welcomed Federal Reserve Chairman Alan Greenspan to testify today at a hearing on the future of the U.S. economy. Today's hearing brought the first testimony from Chairman Greenspan since the most recent meeting of the Federal Open Market Committee of the Federal Reserve and his first appearance before the committee under Bennett's chairmanship.

In his remarks, Bennett sought clarification of recent Fed statements on the economy. Specifically, Bennett pressed Greenspan to clarify recent comments on the probability of deflation and what the consequences would be.

"The United States' economy is fundamentally different and far more resilient than economies currently facing deflation, such as Japan," said Bennett. "We don't face the same risks; but we shouldn't take any chances."

Chairman Greenspan concurred and pointed out that "the risk of the U.S. entering into deflation is minor, but the consequences would be substantial." He highlighted how the cultural differences in Japan's economy have influenced the current economic situation, but cautioned the U.S. must identify what tools are necessary to fend off deflation and to attack any underlying forces that lead to deflation.

Bennett later asked Greenspan about his view of the effectiveness of jobs and growth legislation currently under consideration in Congress and what economic policy should be enacted to spur long-term economic growth. According to the Fed Chairman, "The taxation of capital is misguided. Removing the taxation of capital will enhance the revenue base."

"We are near an agreement on a bold jobs and growth package. We need to act quickly to give it final approval and send it to the president for signature," said Bennett. "But beyond tax cuts, it is time to begin work on what tools we must use to grow our economy and prepare for the future."

The Joint Economic Committee is a unique joint Senate-House committee created in 1946 to study and advise Congress on economic policy. For copies of today's testimony or for other information, visit the JEC online at jec.senate.gov.

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