

EMBARGOED FOR 9:30 A.M.

**Opening Statement
Chairman Michael G. Oxley
House Committee on Financial Services
Domestic Monetary Policy Testimony by Fed Chairman Alan
Greenspan
February 28, 2001**

Good morning. Chairman Greenspan, Members and guests, welcome to the first working hearing of the new Committee on Financial Services.

I can't think of a better witness for our first hearing. Today, we'll receive testimony from the "maestro" himself, Chairman of the Federal Reserve's Board of Governors, Alan Greenspan. Welcome Chairman Greenspan.

This committee reflects the new financial and monetary architecture created by Gramm-Leach-Bliley. Our jurisdiction stretches across domestic and international monetary policy, banking, housing, securities, and insurance, among other issues – frankly, the jurisdiction *IS* the economy. Chairman Greenspan's semi-annual report to Congress on the state of the economy and on monetary policy – especially in view of the sluggishness that infected the economy in the latter half of last year – is an important and fitting place to start.

Chairman Greenspan already fulfilled his legislative obligation when he appeared before the Senate two weeks ago. He's here today of his own free will and is graciously allowing us to pepper him with questions. Thank you for your time, Chairman Greenspan. We're anxious to see if you're going to commit news today.

We now have had two quarters of very slow growth, and industrial production has declined for each of the past four months. The U.S. economy entered a period of slowdown in the middle of last summer. Chairman Greenspan, you noted the early signs in your last report to Congress in July. In the fourth quarter, markets slid, inventories grew, and consumer confidence wavered. High energy prices were aggravated by low winter temperatures.

Also, we are mindful of economic woes in Japan, strife in Indonesia, and economic chaos in our important strategic partner, Turkey.

Mr. Chairman, perhaps you can shed some light on the "alphabet" debate, whether we can look for a slowdown and recovery that is V-shaped, U-shaped, or W-shaped. //Republicans are partial to the letter "W," but we'd much prefer a V-shaped recovery.

The bears are out in force, and yet we have so many reasons for optimism. Chairman Greenspan, in addition to your superb stewardship of economic and monetary policy, we have a new President with a simple but profound vision to return part of the surplus to the people who earned it.

This Committee will do its part by working to eliminate the hidden taxes that American investors overpay in SEC fees. This represents billions of dollars that ought to stay in pension funds rather than going into government coffers.

Supported by your strong testimony before the Senate, the overall debate now centers over how much of a tax cut to grant, not whether one is necessary. Also, you gave Congress a good talking-to about the wise use of our hard-won surplus.

President Bush has heeded your counsel, telling Congress last night that he wants to pay down all of the available debt as it comes due.

We are fortunate to have a system where both monetary and fiscal policy tools can be used to encourage recovery. I know the Committee is looking forward to your assessment of the inflation risk that could constrain the Fed. We'd appreciate your insights about the relationship between monetary policy and consumer and business confidence, and how quickly a monetary policy action could result in economic stimulation.

Some contend that the Fed can handle the downturn by easing the Federal funds rate, with the two recent moves and further cuts as necessary. Others, including the President and me, argue that interventions are important, but that short- and long-term tax relief will strengthen the economy and continue growth. As the President told us last night, we can return some of the recent budget surplus to taxpayers, while still budgeting for responsible spending that takes care of the nation's needs.

We must take the long view and see the silver lining in the cloud. Part of the reason for the speed of the slowdown was the underlying strength of our economy. Often, the more sudden the storm the more quickly it passes.

I look forward to your testimony, Chairman Greenspan, and recognize Mr. LaFalce for his opening statement.