

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services
Subcommittee on Domestic Monetary Policy, Technology,
and Economic Growth
March 29, 2001
"Beyond the Tax Cut: Unleashing the Economy"

Thank you Chairman King.

I want to commend you on holding this important hearing as your first meeting of the Subcommittee on Domestic Monetary Policy, Technology and Economic Growth, and on assembling such a stellar roster of witnesses.

Majority Leader Armev, we remember your career as an economics professor. Thank you for taking a break from the Capitol to share your thoughts on economics with us. Welcome to the new Financial Services Committee, we're working hard to make you and the rest of our leadership proud of your decision.

I also want to welcome my friend Jim Glassman. Jim, I miss your columns in the Washington Post, which I thought were insightful and easy to read.

Mr. Kvamme, we look forward to hearing what you had to say to President Bush yesterday. Congratulations on your recent appointment as "technology czar" for the White House.

It seems that Larry Kudlow is on every cable television show except for "The Sopranos." I expect he'll make a guest appearance there very soon.

And, we are pleased to welcome to Dr. Martin Baily, senior fellow at the International Institute for Economics.

We face a puzzling economic situation. Part of our uncertainty is a result of the resounding economic success we have achieved over the last two decades. Yet, in many previous decades of the last century, even our current situation would have been a great blessing. This is a country that has become used to fabulous stock market returns, low unemployment, and low inflation.

Understandably, people have gone from exuberance to anxiety about the stock market's performance of recent weeks, and yet so many fundamentals of our economy remain strong. Consumer confidence remains high. Consumer

prices outside of energy, inflation in general, and unemployment remain flat. Despite these positive signs, industrial production has fallen for five months in a row. All indications show that we are at zero growth or very slow growth, and that's not good enough.

The Financial Services Committee, and Mr. King's Subcommittee, have jurisdiction over economic growth and technology. So, we are in a unique position to look at the big picture and ask what can be done to support to weak areas of our economy. Peter King is to be commended for asking the big question that has no easy answer.

Clearly, a retroactive, across-the-board tax cut is in order to provide short-term stimulus. But we also need marginal rate cuts that will be predictable and long-term, allowing both families and businesses to make long-term economic and business plans. I believe that capital gains tax cuts would help do the job and would more than pay for themselves.

But beyond tax cuts, there are many other aspects of the economy that must be addressed.

This economy runs on energy. If we do not find new sources to meet our energy demands, we will fail to achieve our full economic potential. Utilities are among the most capital intensive in America, and this Committee intends to look after our nation's capital formation ability.

Regulations continue to hold back the American economy. These excess costs are particularly burdensome to companies in a downturn. So right now, companies' ability to absorb every whim of Washington is limited.

The United States is a great market, but the real growing potential markets for our companies are Third World and developing countries. I was pleased to hear Majority Leader Arney's call to fast-track fast-track yesterday.

As our nation's high-tech leaders told the President yesterday, we must identify impediments to the development of capital for our existing and new companies – particularly for small and entrepreneurial companies, which generate three-quarters of all new jobs in this country.

Over the last decade, the American economy has expanded like never before because of the brilliance of engineers and scientists who've created the computer and electronics revolution. Some would say now that too much money was poured too fast into the tech sector, but I would argue that the rush of the past few years pushed the innovations farther and faster than otherwise would have been possible.

This boom occurred not because of government, but often in spite of it. We do know that government can help, by cutting taxes and removing government red tape, and that is this Committee's mission.

To all of our witnesses, I look forward to your testimony and your ideas for solving these puzzles.