

July 17, 2002

Opening Statement for Congressman Paul E. Gillmor
House Financial Services Committee, Full Committee Hearing to receive the testimony
of the Chairman of the Federal Reserve Board of Governors on Monetary Policy and the
State of the Economy

I would like to begin by thanking you, Chairman Greenspan, for coming before our committee this morning to make your semi-annual report to Congress.

Our economy has certainly been through many fluctuating periods of growth and decline since your last report and our markets are unfortunately still faced with decreased investor confidence as a result of recent corporate scandals. However, I was heartened by your positive statements on the future health of our economy, yesterday, before our counterpart in the Senate.

The ongoing revelations regarding corporate accounting fraud and misleading disclosures have exposed an underlying problem in this country's corporate culture. But just as our economy has shown its resilience in weathering past shocks to our markets, such as the terrorist attacks last September, a pattern of growth will return and the fundamentals of our economy have maintained their strength. Unemployment numbers are dropping and reports on new factory orders continue to show increases.

As you know, the House of Representatives acted swiftly in its investigation and consideration of a legislative solution to the systemic problems allowing recent corporate abuses by passing the Corporate and Auditing Accountability, Responsibility, and Transparency Act on April 24, 2002. This week, the Senate has responded to the House proposal with its own bill and I was very interested in your comments on that proposal at yesterday's Senate hearing and hope you can speak more specifically to the House proposal this morning. Both congressional chambers are committed to expeditiously reaching agreement on a compromise proposal for signature into law by the President, as Congress has a significant role to play in restoring investor confidence in American corporations.

I applaud your position on the expensing of stock options. The current situation permits companies to report misleading earnings, and unfortunately, many are doing exactly that. Certainly, further federal regulations are not necessary to direct all needed reforms and I will be particularly interested to hear any further comments you may have on whether this issue requires congressional action or should be left to the Financial Accounting Standard Board (FASB) for consideration. I would also like to take this opportunity to commend the Coca-Cola Company's recent decision to voluntarily count stock options as an expense and hope that other publicly traded corporations will follow their lead.

Again, I would like to thank you for coming before us today and look forward to your learned remarks.