

Opening Statement
Chairman Michael G. Oxley
Financial Services Committee

Federal Reserve Chairman Ben S. Bernanke
Monetary Policy Testimony
July 20, 2006

Mr. Chairman, good morning. In February, this Committee was proud to be the venue for your first appearance before Congress on the conduct of monetary policy. Today marks your second testimony with many more to come.

In 2001, shortly after I assumed the chairmanship of this Committee, the very first hearing I chaired was to receive the testimony of former Chairman Greenspan. We didn't know it at the time, but we had a very rough patch of economic road ahead, with bursting of the tech bubble, 9/11, the resulting insurance crisis, and the corporate bankruptcies.

Back then, we had a weak economy that everyone said was strong. Now, we have a strong economy that some are trying to convince us is weak.

Some of the credit for the current robust economy goes to the Fed, of course, where you and Chairman Greenspan have held inflation to lower levels and lower volatility than we have seen in all but 20 years of the life of the Fed. I'd like to enter a chart showing that into the record. The lion's share of the credit goes to President Bush, who had the steadiness to guide us through recession and the courage to do the right thing in seeking tax cuts to spur growth. Now we see that the biggest spurt in tax revenue growth in 40 years has trimmed our expected 2006 deficit by a third in just six months and is on track to drop the deficit as a percentage of GDP to less than half of the similar share in most European economies.

Some of the credit goes to Congress, which made the tax cuts stick, although we still need to work on making tax cuts permanent and work on spending discipline. But the largest credit of all goes to the American people, who with determination and character and heart showed what a great country this is. America suffered a recession, a massive terror attack, scandals of corporate governance, and a destructive hurricane season. Through all of that, we added 5.4 million jobs in the last three years, we've had 34 uninterrupted quarters of growth. We have an unemployment rate

lower than that of most of the last 40 years and we also have growth at or above the average rate for the all six post-war decades.

In June alone, the U.S. economy created 121,000 new jobs, and maintained a low 4.6 unemployment rate. I would be remiss if I did not point out that the unemployment rate is lower than the six percent floor that the economists used to call full employment. GDP growth for the first quarter was 5.6 percent, stronger than expected and the fastest growth in two-and-a-half years.

That, Mr. Chairman, is something for us all to be proud of. This is a remarkable country and a remarkable economy that constantly renews and reinvents itself. The Fed has led monetary policy extremely well, and I am certain that will continue to be the case during your tenure.

Mr. Chairman, America is doing well and will continue to do well. Of course, we will continue to have to work, to think, and to innovate, because other countries have smart people and good economies, as well. However, since the recession and the terror attacks, this country's economy has grown a great deal. In real terms, U.S. growth alone is half as big as the total economy of China.

So with that, Mr. Chairman, I thank you and all the many people at the Fed we never have met for their experience and dedication.

We look forward to your testimony, Chairman Bernanke, and with that I yield back the balance of my time and recognize the gentleman from Massachusetts.