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Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding the Tax System's Current Effect on Economic Efficiency, Jobs, and Growth
As prepared for delivery

Dwight Eisenhower once said:

"Neither a wise man nor a brave man lies down on the tracks of history to wait for the train of the future to run over him."

That train of the future depends on a strong and growing economy, and today we face challenges to our economy on many fronts. Our economy is still recovering from the most significant recession since the Great Depression.

U.S. debt, as a share of the economy, is at its highest level in 50 years, and it is projected to rise much higher in the coming years. At the same time, economic competition is stiffening as the world economy grows increasingly globalized.

In 1960, exports accounted for 3.6 percent of America's GDP. Today they account for almost 12.5 percent. In the face of these challenges, we cannot afford inefficiencies in spending programs or in the tax system.

Our tax code must maximize job creation and widespread economic growth. It must be finely tuned to its objectives, so we are driving that train of the future and not lying beneath it.

Last year, we began a comprehensive review of America's tax system. We held hearings to look at the history of the code. We contemplated lessons learned from the last major revision of the tax code in 1986. We considered historical trends in income and revenue. And we analyzed how the code has swelled in the intervening years, often failing to adapt to our changing world. These hearings explained how we got to where we are today.

Today, we begin a set of hearings asking: "Why do we need tax reform?" These hearings will analyze what we expect our tax system to accomplish, and whether it effectively meets those objectives.

Of course, the tax code should raise the revenue necessary to finance the operation of the country, but we also want our tax system to stimulate economic development, encourage business activity, and promote fairness and certainty. We want it to minimize compliance and administrative costs to taxpayers.

So, how does our current system rate? Today's witnesses will help us answer that question. They will examine the tax code's effect on job creation and broad-based economic growth.

Today we have 7.5 million fewer jobs than when the Great Recession started. These lost jobs have caused unimaginable family hardships, and high unemployment has also meant less Federal revenue and a worsening debt crisis.

We need a tax code that supports putting Americans back to work. We also need a tax code that does all it can to ensure the long-term prosperity of our country.

I'll be asking our panelists if the tax code encourages investors to take healthy risks and make sound investments. Or, does it encourage unhealthy risk-taking and investing in underperforming assets? For example, corporations currently receive a tax deduction when they pay interest, but not when they pay dividends. As a result, businesses may choose to obtain capital through borrowing rather than through issuing stock.

We need to know whether these incentives cause businesses to become overleveraged in a way that hurts our economy. We also need to know whether the tax code encourages individuals to make positive decisions that strengthen widespread economic growth.

For example, there are dozens of provisions in the tax code that incentivize individuals to save for major expenditures like retirement, education or health care spending. Incentives that help individuals save for specific expenses are the third-largest tax expenditure in the code. They cost more than \$124 billion in 2011.

A recent White House report found that this plethora of choices can actually have a negative effect on individual investment because many people are intimidated and confused by the range of choices and complicated rules for each.

So let us ask how the tax code is positively and negatively affecting individual and businesses decisions.

Let us question what more we can do to incentivize job creation and widespread economic growth.

And let us determine how we can ensure our tax system drives our economy into the future, rather than putting the brakes on it.

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