



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Statement of Senator Chuck Grassley  
Hearing, "Examination of Proposals for Economic Growth and Job Creation:  
Incentives for Consumption"  
February 11, 2003

This hearing is the second in a series of hearings on economic growth and job creation. Last week, Secretary John Snow presented the revenue proposals in the Administration's budget. The budget proposals included the President's plan for economic growth and job creation. Today, we focus on the President's package once again, but limit our focus to incentives for consumption. We will expand our focus to cover not only the Administration's plan, but others put forward by members of the House and Senate.

It is clear that we have experienced a serious decline in investment. Everyone has heard the stories like those I've heard from folks in Iowa. Let there be no mistake about it, we face a heavier lift on the investment side. With few exceptions, manufacturing is flat. Everyone knows about the recent history of the stock market. In the meantime, as investment has sagged, the American consumer has kept the economy afloat. With the lowest interest rates and the largest tax relief package in a generation, the consumer fortunately has had the resources to counter the slowdown in investment.

In this hearing, we will focus on the status of the consumption side of the economy. We will examine proposals for maintaining the level of consumption. The witnesses will testify to the efficiency of these proposals, their short-term benefits and long-term implications. I would like to reiterate a couple of points from last week's hearing. One, all proposals are on the table as we seek a bipartisan growth package. Two, although we have split the topic into incentives for consumption and investment, the two are necessarily linked. We should not arbitrarily divide workers from the business owners, or consumption from investment. Capital is the life blood of businesses small and large. It is just as true that businesses need customers. As Secretary Snow put it, the two concepts form a circle that makes up the economy.

Federal fiscal policy does not exist in a vacuum. There are consequences from our actions in Washington that ripple through to the capitals of our 50 states. On the one hand, our system of federalism does not make the federal government the insurer of all fiscal decisions made at the state level. State and local officials make their own fiscal policy. It is their right and their responsibility. On the other hand, we in Washington need to be cognizant of those areas of fiscal policy where we are partners with state and local governments.

Today, we are pleased to welcome four distinguished witnesses. Addressing the issue of consumption incentives generally are two veteran participants in economic policy debates, Stephen J. Entin, and Peter R. Orszag. Addressing the issue of the state and local role are Oklahoma State Senator Angela Monson and Chris R. Edwards, another veteran of economic policy debates.