



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Senator Chuck Grassley
Senate Committee on Finance Hearing on
“Examination of Proposals for Economic Growth and Job Creation: Incentives for Investment”
February 12, 2003

This hearing is the third 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. Yesterday, we examined proposed incentives for consumption. Today, we turn to proposed incentives for investment. No would dispute the fact that it has been a rough period of almost three years for the investment side. The stock exchanges, led by the NASDAQ, followed by the Dow and the S&P, have tumbled. The NASDAQ peaked at 5048.62 on March 10, 2000. Yesterday it closed at 1,295.46. That means the NASDAQ is worth about 25 percent of what it was worth three years ago. The Dow is worth about 67 percent of what it was worth over three years ago. Today, the S&P 500 is worth about 54 percent of what it was worth about three years ago.

Everyone acknowledges the effect of the “bubble” of the late nineties. No one can mistake the impact of the corporate scandals of the late nineties and early part of this decade. Clearly, the tragic events of 9-11 and the war on terror have had their effects. There’s no doubt investors, large and small, institutional and individual, have had a rough three years. I’d like to pause and ask a question. What, if anything, can we, as Finance Committee members, do about it. Is there fiscal policy that can help right the ship of the capital markets? Now, over the last few years, the stock market drop has been accompanied by a decline in business investment. Commerce Department data show that business investment peaked in the second quarter of 2000. That’s almost three years ago. Purchases of equipment and other business assets have flattened out or dropped. Too many factories are dark. Too many workers are idled. Too many workers worry that their job might be the next one lost. Again, I will pause and ask a question. What, if anything, can we, as Finance Committee members, do about it. Is there fiscal policy that can help move up the level of business investment?

The good news is both Democrats and Republicans recognize the problems with the dramatic decline in investment. There are differences, hopefully bridgeable, in how we tackle the problem of declining investment. The President’s package is, as he told me in the White House, “bold” on investment incentives. The President is breaking new ground by proposing elimination of the double taxation of dividends. It could be argued that the President’s boldness has made his growth proposal an attractive target for his detractors. Many of the alternative proposals by are, by design, thin on the investment side and short-term. As we ~~begin~~ to examine the investment side, I’d say to the skeptics, think about the numbers I recited above. Think about what has happened to the stock market. Think about the impact on investors, retirees, and all those who invested in the stock market. Think about those factories and plants that are dark. As you criticize the President’s plan, which aims to improve market capitalization over the long-term, I’d ask what alternatives on the investment side do you propose.

In today’s hearing, we will focus on the status of the investment side of the economy. We will examine proposals for raising the level of investment. The witnesses will testify to the efficiency of these proposals, their short-term benefits and long-term implications. Today, we are pleased to welcome four distinguished witnesses. Two are distinguished former members of the Congress who had key roles in making fiscal policy over the last two decades. We welcome former Senator Phil Gramm and former House Budget Committee Chairman and Director of OMB, Leon Panetta. Both of these long-time public servants have moved on to the private sector. Phil is now Vice Chairman of UBS-Warburg. Leon is now co-director of the Panetta Institute for Public Policy and serves on many boards, including the Board of Directors of the New York Stock Exchange. In addition, we have two distinguished veterans of economic policy debates, Kevin Hassett and William Gale. I look forward to the their testimony.