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Opening Statement
Senator Bob Bennett, Chair
Hearing Before the Joint Economic Committee
"The Administration's Jobs and Growth Package"
January 30, 2003

Good morning and welcome to the first hearing of the Joint Economic Committee in the 108th Congress. I am happy to have the privilege of chairing the Committee for the next two years, and would like to begin by thanking Representative Saxton for the fine work he did as chair during the previous Congress. I would also like to welcome all the members of the Committee from both sides of the aisle. I look forward to continuing the Committee's tradition of working together with the utmost in courtesy and civility.

Today, we are pleased to have as our distinguished guest Dr. Glenn Hubbard from the Council of Economic Advisers. Dr. Hubbard has served the president ably over the past two years, and we are grateful for his service to the government.

It is fitting that our first hearing features the head of the CEA; the Committee and the Council were created together in 1946 and have worked hand-in-hand over the years to provide timely and objective economic analysis for our respective branches of government. My staff and I have enjoyed working with the CEA, and I expect this cooperation to continue.

As Federal Reserve Chairman Alan Greenspan recently testified before this Committee, the economy is currently going through a "soft patch." The lack of robust, sustained economic growth has been a frustration to all of us. The proper role of government in alleviating a sluggish economy and accelerating the nascent recovery is a difficult one. It sometimes seems that there are as many different answers as there are economists.

The primary focus of today's hearing is the Bush administration's proposal to boost the economy in the near term and, at the same time, provide a solid foundation for long run growth. The proposal would accelerate tax cuts that Congress has already approved, moving their effective dates from future years into the present one, while reducing marginal rates, eliminating the marriage penalty, increasing child tax credits, and providing families some relief from the alternative minimum tax. In addition, the proposal would triple the small business expensing limit for new capital investment, provide states with funds to establish individual re-employment accounts, and eliminate the double taxation of dividends.

The tax cut proposal is a bold one, and one that is sure to increase the budget deficit in the short run. However, I do *not* believe that the primary factor in judging a policy ought to be its impact on the near term deficit. I think one lesson we have learned over the past 30 years, through both Republican and Democratic administrations, and Democratic and Republican Congresses, is that solid economic growth is a wonderful elixir for budget challenges.

In my view, the current budget deficit arises primarily because that solid growth was interrupted at a time when we had dramatic increases in spending, much of it brought on by the aftermath of the 9-11 tragedy. We have seen significant increases in outlays for the rebuilding in New York, the war on terror, homeland security, and preparations for possible action in Iraq. Singling out the tax cuts already enacted as the sole cause of the deficit, as some have done, strikes me as simplistic. Thus, I am very much interested in how Dr. Hubbard and his staff believe the president's proposal can get us back on the growth path in both the short run and the long run.

The most ambitious part of the growth package is undoubtedly the removal of the double taxation of dividends, and I am sure that many of the questions today will be about the particulars of this plan. There are many different ways to structure tax reform so as to eliminate the double taxation of dividends, a pernicious distortion of the tax code that has been reduced or eliminated in almost all other developed economies. I welcome the opportunity to have Dr. Hubbard explain some of the details of the tax cut and the choices made in constructing the plan.

I also welcome Dr. Hubbard's thoughts on the current state of the economy. This morning's GDP report suggests that the economic soft patch is still with us. With the growth numbers for the 4th quarter of last year disappointing, we need to do what we can to produce more rapid growth in 2003, as many economists expect. I am interested to learn whether Dr. Hubbard shares this optimism and to hear his thoughts on the challenges and risks that face the U.S. economy.

Welcome Dr. Hubbard; we look forward to your testimony.