

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services
July 18, 2001

Domestic Monetary Policy Testimony of
Federal Reserve Chairman Alan Greenspan

Good morning, Mr. Chairman.

I'm happy to welcome you back to the committee, noting that you were the first and only witness at the very first hearing held by the then-new Financial Services Committee. Then, as now, you were here to share with us your views on the state of the economy.

I'm proud to note, for the record, that since you were here on February 28 this committee has been hard at work and has compiled a long record of hearings and legislation, with plenty more to come. I note also that the Fed has been busy, in that same period, cutting interest rates four more times since you last were here.

Chairman Greenspan, we have seen a number of heartening signs for the economy. Energy prices, particularly gasoline prices, are lower. We no longer have daily crisis reports from California about blackouts. The markets, while still volatile, also are up over their levels of four months ago, and consumer confidence remains high.

Looking at those indicators and others, it's tempting to think that we have turned the corner – that two or three quarters of slow growth were enough to re-center the economy and that we are in recovery. However, I sense in all the economic reporting continued uncertainty, and potential potholes ahead in the road to recovery. That is why I am glad you are here to share with us your insight – some of what William Greider once referred to as “The Secrets of the Temple.”

Since you were here, Mr. Chairman, Congress has passed and the President has signed a tax cut aimed at stimulating the nation's economy. The first vestiges of that cut will arrive in taxpayers' mailboxes within two weeks in the form of rebate checks. The last taxpayers should have those checks before the end of September. The committee would be interested in hearing how you think those checks, and the rate cuts enacted, will affect the economy in the third quarter, the second half and beyond.

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I'm sure Members also are interested to learn if you believe any other tax changes – targeted or broadly based – would be useful to get economic growth back on track, keep it there or stimulate productivity. For example, at a hearing in March, Majority Leader Dick Armey and economists Larry Kudlow and Jim Glassman endorsed the idea of allowing companies to expense technology purchases. The idea seems to hold the promise of increasing and maintaining productivity, and we'd be interested in your opinion. Perhaps you have other suggestions.

I also hope you'll have time while you are here to address ways we might better direct the flows of capital to companies, particularly the newer and smaller ones that are the engines of both job growth and, often, of innovation in our economy. When capital is not directed efficiently to the companies that need it, in my view, the whole economy suffers.

Also, Mr. Chairman, I think the committee will be interested in hearing your views on trade, on the balance of payments and on the value of the dollar in foreign exchange markets. I for one would be especially interested in your views on efforts to increase trade, particularly the Administration's focus on gaining Trade Promotion Authority and developing a Free Trade Area of the Americas.

Most of Latin America is suffering economically to one extent or another – though not as badly as Argentina at this moment – except for Mexico. It seems to me that its free trade agreement with the United States has helped insulate Mexico from the current slowdown while benefiting the U.S. at the same time. I'm sure we'll all be interested in your views on creating a hemispheric free trade zone.

In particular, I think we'd be interested in hearing your thoughts on currency boards and dollarization of other countries' economies, in view of the ravages Argentina currently is suffering. And I imagine many would like to hear your views on why the current level of the dollar has been sustained through this recent round of rate cuts, and whether the level may change naturally next year after the introduction of the Euro is complete.

Finally, Mr. Chairman, I think all of us on the committee would like to hear some direct predictions about when you believe the economy will have finally turned the corner. I don't imagine you're carrying any predictions of a return to "dot-com"-level stock market returns any time soon, but I think we'd all like to hear some reassurance that you see a return to strong, steady

growth sooner rather than later, and can give us some suggestions about how to get there and how to sustain it.

I know I'll look forward to your comments with interest. With that, I recognize the gentleman from New York, Mr. LaFalce.

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