

Opening Statement
Chairman Michael G. Oxley
House Financial Services Committee

**Semi-annual Monetary Policy Report and Testimony of Alan Greenspan,
Chairman of the Federal Reserve Board of Governors**

July 20, 2005

Chairman Greenspan, once again, we welcome you to the Financial Services Committee for now your 36th appearance before this Committee and our predecessor, the House Banking Committee, for the monetary policy report. I know I speak for all of our 70 Members when I say that your economic analysis and our discussion with you is a highlight of our calendar here at the Financial Services Committee. Welcome, once again.

We can report to the nation today that our U.S. economic growth is steady and strong. While we face some uncertainty abroad—and we can be assured of the likelihood that there will always be uncertainty abroad—our national economic performance is the envy of the world.

More Americans are working than ever before. We recently received the news that 146,000 jobs were created in June, achieving a five percent unemployment rate, the lowest since the fateful month of September, 2001. Not so long ago, many economists believed that there was a structural unemployment floor of six or seven percent. They didn't believe that our economy had the ability to reach the goal of five percent unemployment, and yet it has done so this month, with a total of 1.1 million jobs created this year.

An important leading indicator, durable goods, increased 5.5 percent in May, and U.S. manufacturing continues to expand at rates that exceed expectations. Our GDP is growing at a good clip of nearly four percent, and the important non-manufacturing sector has been increasing each month now for over two years. The markets have risen nicely, recovering from their post-bubble and post-9/11 declines and sell-offs, with the Dow now just 500 points shy of its historic high.

These positive economic conditions mean that more Americans than ever before have reached the goal of homeownership. With President Bush's housing policies and the American Dream Downpayment Act, homeownership will soon be within reach for even more American families.

With 14 consecutive quarters of economic growth, there is further good news for American consumers, and that is inflation has remained in check. The prices of goods and services did not go up during the month of June. Prices for businesses, the producer price index, actually went down slightly, indicating that businesses have been able to handle recent high energy prices.

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Americans are well aware of the economy's steady growth, low inflation, and strong housing markets. Consumer confidence numbers are optimistic, and economic predictions show annual growth in the three- to four-percent range.

A thriving economy, growing businesses, and working Americans are the components of a healthy tax base and strong revenues. President Bush's tax cuts have been an important factor in the recent projection that the federal budget deficit will be far lower than previously expected, and that will help to keep interest rates as low as possible.

Over the long-term, President Bush's programs to make the tax cuts permanent, to restrain government spending, to ensure retirement security, and to expand U.S. exports through free trade will further enhance our economic success.

Chairman Greenspan, according to the Federal Reserve web site, its objectives include: "economic growth in line with the economy's potential to expand; a high level of employment; stable prices; and moderate long-term interest rates." It is an immense achievement that all of those objectives have been met, and we congratulate you.

You have the distinction of having served the Council of Economic Advisers under President Ford and serving as the Fed Chairman under every president since Reagan. Certainly the confidence of five presidents is also a testament to the nation's faith in your economic leadership. We thank you for your extraordinary service to your country and for the stalwart policies that have guided us to many years of prosperity. This success has advanced American business, has increased American influence throughout the world, and has created economic conditions in which American families thrive.