

**OPENING STATEMENT OF HENRY M. PAULSON, JR.
BEFORE THE SENATE FINANCE COMMITTEE**

Chairman Grassley, Ranking Member Baucus, and members of the Finance Committee, thank you for inviting me to testify here today. I am honored that President Bush has nominated me to serve as the 74th Secretary of the Treasury, following the distinguished leadership of Secretary John Snow. And I appreciate the time members of this Committee have taken to meet with me and consider my nomination. Frequent communication between the Treasury Department and this committee is of vital importance, and if confirmed I look forward to building on the important dialogue that we have already begun.

I am also grateful to my family for supporting my decision to pursue this opportunity.

The Treasury Department has a critical role to play in helping to set the direction of the U.S. and global economy – a role that reaches back to America’s founding. If confirmed, I will strive to carry forward the Treasury Department’s rich legacy.

I have admired the work of the Treasury Department throughout my 32-year career in finance – and particularly during the last eight years, when I have led a global financial institution. As the steward of the U.S. economic and financial systems, the Treasury has helped lay the groundwork for the American economy to become a model of strength, flexibility, dynamism and resiliency.

This is a system that generates growth, creates jobs and wealth, rewards initiative, and fosters innovation. It is also a system that offers considerable social and economic mobility. We must never take this for granted, and we cannot allow Americans to lose faith in the benefits our system offers. America is the land of opportunity. We need to be vigilant in ensuring that each and every American has the opportunity to acquire the skills to compete, and to see those skills rewarded in the marketplace.

One way we can do this is to maintain a macroeconomic climate that enables workers, families, businesses – both small and large – to thrive. That calls for spending discipline and predictable taxation, combined with prudent regulation.

If confirmed, I will focus intensely on how the United States can maintain and strengthen our competitive position. As a product of a mid-sized town in Illinois, I will of course always remember Chairman Grassley’s succinct description of the Treasury secretary’s role: “to understand how tax policy, capital markets, international trade, and currency policy affect Main Street USA.”¹

As we work to promote greater economic opportunity for the American people, we must always remember that the American economy is deeply integrated with the global economy. That brings challenges, but even greater opportunities. While maintaining confidence in our ability to compete throughout the world, we must be prepared to embrace the change that will contribute to our long-term prosperity. Open markets help to boost productivity and drive America’s economic growth, which in turn creates new and better jobs for American families. It’s also true that the global integration of economies and markets holds the promise of a more prosperous and secure world. In my extensive travels throughout the world, I’ve seen countless examples of the benefits of economic reform.

If confirmed, I will be active in affirming America’s leadership role in the global economy, where we must continue to be a constructive and stabilizing force. I also look forward to working alongside other

¹ <http://finance.senate.gov/press/Gpress/2005/prq053006.pdf>

colleagues in the Cabinet to advocate policies and actions which provide open and level markets for U.S. investment and for U.S. products.

To close, I will briefly outline some of the steps that could be taken to achieve a stronger and more competitive U.S. economy:

- Addressing the long-term unfunded obligations of Social Security and Medicare that threaten to unfairly burden future generations.
- Keeping taxes low and collecting them in a simpler and fairer manner that does not distort economic decision-making.
- Expanding opportunities for American workers, farmers, and businesses – big and small – to compete on a level playing field with the rest of the world.
- Maintaining and enhancing the flexibility of our capital and labor markets, and preventing creeping regulatory expansion from driving jobs and capital overseas.
- Finally, the U.S. economy will be stronger if we can continue to foster an entrepreneurial spirit and culture which generates innovation, risk-taking, and productivity growth that raises living standards to keep America the economic envy of the world.

If confirmed, I look forward to frequent consultation with members of this Committee to advance these important ideas. And if confirmed, I also look forward to working with the Treasury Department's select corps of professionals, who play a critical role in the stability and vitality of the U.S. economy.

Thank you Mr. Chairman.