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Opening Statement
Senator Jack Reed
Joint Economic Committee Hearing
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Thank you, Chairman Saxton. I want to welcome Chairman Greenspan for his last appearance before the Joint Economic Committee as Fed Chairman. As always, I look forward to his perspectives on the economic outlook, but I'm also interested in any reflections he may have on his tenure as Fed chairman.

Some have called Chairman Greenspan the most successful central banker in history. On his watch, inflation was kept under tight control and we enjoyed the longest economic expansion on record from March 1991 to March 2001.

While the Chairman's track record managing monetary policy is very impressive, his role in justifying the 2001 tax cuts is more problematic. I know that Chairman Greenspan will point to his caveats about the need for triggers and other cautions, but in the real world of politics, he was seen as giving the green light to President Bush's tax cuts, and now we are living with the consequences.

President Bush's tax cuts were poorly designed to stimulate broadly shared prosperity and have produced a legacy of large budget deficits that leave us increasingly hampered in our ability to deal with the host of challenges we face. Large and persistent budget deficits are undermining national saving, and they have contributed to an ever-widening trade deficit. Our vast borrowing from abroad puts us at risk of a major financial collapse if foreign lenders suddenly stop accepting our IOU's.

Raising national saving is the key to our economic growth, a good way to reduce our record trade deficit, and, as the Chairman's past testimony reflects, the best way to meet the fiscal challenges posed by the retirement of the baby boom generation. But what has the President offered us? A plan to replace part of Social Security with private accounts that would increase the deficit without raising national saving and a proposal to make his tax cuts permanent that is simply incompatible with reducing the deficit.

Sound policies for the long run are clearly very important, but I am also deeply concerned about what continues to be a disappointing economic recovery for the typical American worker. Strong productivity gains have shown up in the bottom lines of shareholders but not in the paychecks of workers. The typical worker's earnings are not keeping up with their rising living expenses, including soaring energy prices. And both earnings and income inequality are increasing.

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Chairman Greenspan has regularly expressed concern about the widening inequality of income and earnings in the American economy, but his solutions are always focused on the long term. While I too acknowledge the importance of education and training, we face an immediate problem.

The flooding of New Orleans forced America to confront the existence of poverty. A new report shows that hunger in America has risen dramatically over the last five years, with more than 38 million people living in households that suffer directly from hunger and food insecurity, including nearly 14 million children. The minimum wage has been losing purchasing power steadily, and low- and moderate-income households face crushing energy bills this winter.

Of course, many of these problems in the American economy lie outside the purview of the Federal Reserve, where Chairman Greenspan has carried out his official monetary policy responsibilities well. He has shown flexibility rather than a rigid adherence to any predetermined policy rule in responding to changing economic circumstances, in order to pursue the multiple policy goals of price stability, high employment, and sustainable growth.

I hope the next Fed chairman observes that precedent when he takes up his duties in the face of historically large budget deficits, a record current account deficit, a negative household saving rate, rising inflation, and a labor market recovery that remains tepid in many respects.

Chairman Greenspan will be a hard act to follow. The impending "Greenspan deficit" is but the latest addition to our concerns about the economic outlook. Chairman Greenspan, I want to thank you for your public service and I look forward to your testimony today.

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