SEN. JACK REED (RI)
VICE CHAIRMAN

SEN. PAUL S. SARBANES (MD)
SEN. EDWARD M. KENNEDY (MA)
SEN. JEFF BINGAMAN (NM)
SEN. JON CORZINE (NJ)
SEN. ROBERT G. TORRICELLI (NJ)
REP. FORTNEY PETE STARK (CA)
REP. CAROLYN B. MALONEY (NY)
REP. MELVIN L. WATT (NC)
REP. BARON HILL (IN)

Congress of the United States

Joint Economic Committee
Democratic Staff

107TH CONGRESS

804 HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510-6602
202-224-0372
FAX 202-224-5568
WWW.SENATE.GOV/~JEC

PATRICIA RUGGLES
STAFF DIRECTOR

Opening Statement
Senator Jack Reed
Vice-Chairman, Joint Economic Committee
November 13, 2002

It's a pleasure to welcome Chairman Greenspan this morning. Last week the Federal Open Market Committee surprised us—not by the fact that they lowered interest rates, but by how much they lowered them. That the Fed took such decisive action confirms what many of us have been saying for some time: the economy is in a slump. Growth is too slow, too many people are out of work, and things don't seem to be getting better on their own.

I don't know if the Fed's actions will be enough to turn the economy around. I certainly hope they will be for the sake of the American people. But the way things are going now, it looks as if, at best, we are headed for another jobless recovery like the one we had after the last recession, when the unemployment rate kept rising long after the recession was technically over. Under those circumstances, I think it would be unconscionable if we let the extended unemployment benefits program expire at the end of the year as it is now scheduled to do. So whatever else we think might be necessary to help the economy recover, I hope we can begin by making sure that people who exhaust their regular unemployment benefits in a tough job market are not left out in the cold.

I know Chairman Greenspan's job is to conduct monetary policy. But monetary policy doesn't operate in a vacuum. Sound fiscal policies, like those we pursued in the 1990s, complement monetary policy in creating an environment of attractive interest rates that stimulate investment and productivity growth. In contrast, large budget deficits like those we experienced from the early 1980s to the early 1990s are a drain on national saving that is harmful to long-term growth.

I am afraid that the fiscal discipline of the 1990s is a fading memory and that we are headed for a repeat of the fiscal mistakes of the 1980s. The 1980s tax cuts were a mistake at the time, but similar policies would be even more of a mistake now. At least in the 1980s, the pressures on the budget from the retirement of the baby boom were off in the distant future and there was time to restore fiscal discipline. This time, however, the biggest tax cuts will be kicking in at just about the same time that the baby boom starts retiring.

We used to get a clear signal from Chairman Greenspan about the importance of fiscal discipline and the pre-eminence of deficit reduction and paying down the public debt over tax cuts as the way to stimulate investment and growth. But that signal has gotten a little garbled in the past two years. I hope that in addition to discussing his views on the economic outlook, Chairman Greenspan will spend some time talking about how the choices we make in the coming year about taxes and other fiscal priorities will affect that outlook.

Mr. Chairman, I look forward to your testimony.