

**Hearing on Moving America Forward: With a Focus on Economic Growth**

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HEARING

BEFORE THE

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

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FIRST SESSION

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## Hearing on Moving America Forward: With a Focus on Economic Growth

U.S. House of Representatives,  
Committee on Ways and Means,  
Washington, D.C.

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The committee met, pursuant to call, at 10:01 a.m., in Room HVC-210, The Capitol, Hon. Paul Ryan [chairman of the committee] presiding.

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Chairman Ryan. The committee will come to order.

First of all, I would like to start off by saying what an absolute privilege and honor it is to chair this committee. I have served with many of you on this committee for quite a while, 14 years for myself.

I came into this Congress with a number of you. I see Mr. Larson there. I think Joe is coming. I came with Kevin. It has been an absolute pleasure serving on this committee, and I just want to tell you how I feel tremendously gratified and honored to be in this position.

Second of all, announcement: We are obviously not in the Ways and Means room. As you know, the Ways and Means room is being rewired for sound reasons because it is also the alternative floor location.

That rewiring and reworking of the room is supposed to be completed by April 16th. So, hopefully, if all goes well, we will stop having meetings and hearings in this room and resume it in the Ways and Means hearing room in mid-April.

I have also seen this committee run very well and sometimes not so well. This committee deals with some of the toughest issues our country faces. I want to lead this committee so that we have a full debate on the issues, a full respectful debate on the issues.

I also want to ensure that we treat each other with respect and that we conduct our debates in a civil manner, and I am going to work very closely with the ranking member, Mr. Levin, toward that result.

I would also like to welcome all of our new Members and all of our returning Members.

To our returning Members, I am very glad to have this opportunity to serve with you in this new Congress.

And to our newest Members, I would like to introduce you by name.

We have Pat Meehan from Pennsylvania; Kristi Noem from South Dakota; George Holding from North Carolina; and Jason Smith from Missouri.

It is "Missouri" and not "Missouri" where you come from. Right?

Mr. Smith of Missouri. [No response.]

Chairman Ryan. Okay. Welcome to our new Members.

Last week we noted the hearing titled "Moving America Forward." Today we will hear from three experts about the economy. But, as a technical matter and for the time being, we are not going to be calling this a hearing.

As we have discussed with the minority staff, the House has not yet elected Members to the standing committees, including the Committee on Ways and Means.

Committees cannot organize until members are officially elected by the House. So we expect this election to happen this afternoon, and that is why we are technically holding an informal briefing this morning rather than a hearing.

However, we will run the briefing under the rules of past Congresses where Members are recognized according to the Gibbons rule. The Gibbons rule is somewhat unique to the Ways and Means Committee.

For the benefit of our new Members, the Gibbons rule provides that members present in the room at the time of the gaveling in will be recognized by seniority. Members who arrive after the gavel will be recognized in order in which they arrive without regard to seniority.

Once we are to organize, we will ask unanimous consent for the transcript from this informal briefing to be included during our next hearing so that it is effectively a hearing.

The fact that Mr. Levin and his staff worked with us right out of the gate to overcome these technical issues to make sure that we could meet and talk about the economy is exactly the example of the kind of camaraderie that it takes to make this committee run very well.

And I thank the ranking member for that.

Let me start by introducing our panel.

Dr. Holtz-Eakin is president of the American Action Forum, and he is the former director of CBO.

Professor Feldstein is the former chairman of the Council of Economic Advisors under President Reagan.

And Professor Johnson is a senior fellow at the Peterson Institute for International Economics.

I want to thank you all for sharing your time with us, and we look forward to hearing your testimony.

Now, we wanted to hold this hearing because, the way I see it, our mission this year is to move America forward. And this committee -- this committee is going to be command central.

We are going to lead the charge in some of the biggest issues facing our economy: tax reform, trade agreements, health care. And our thinking is "Let's get a lay of the land."

Before we can set things right with the economy, we have got to understand what is going wrong with the economy. So how are we doing? Well, we just got some good news. Jobs are up.

But this bit of good news looks good only because the rest of the news has been so bad for so long. There is no getting around the fact that this is the worst economic recovery since the Great Depression.

If our economy had grown at the pace of the average post-war economy, gross domestic product would be about \$5,700 more per person. Paychecks haven't budged, and more people have given up looking for work. In fact, there have never been more people out of the labor force than there are today, over 92 million people.

As one person in a recent focus group told NBC News, "If you want to make \$9 an hour, you can go get a job. But if you want to make a wage that can support your family, good luck." In other words, this latest job report is simply the nicest car in the junkyard.

This administration's policies have pushed people off the field. What we need is to take people off of the sidelines and get them back into the economy, working, learning, building, creating, and we will expand opportunity for all Americans.

And that is the second reason for this hearing. We want to start laying out solutions. This committee has already done a lot of work on that front, and this year we are going to build on those gains. The fact is we know what it will take to turn things around, and we just need to put those ideas to work.

For instance, it is very clear that our tax code is broken. We have the highest corporate tax rate in the industrialized world. We are one of the few countries that taxes companies when they bring their money back home. And the tax code is so complex that Americans spend over 6 billion hours a year just filling out their tax returns.

There is no good reason for any of this. We need to make the tax code simpler, fairer, and flatter so more people can invest and create jobs right here in America.

We also have a good opportunity to expand markets for American exports. We are negotiating several big trade agreements right now, and the first thing we ought to do is pass Trade Promotion Authority.

Trade Promotion Authority would empower Congress to set our negotiating objectives and hold the administration accountable. TPA would also help us get the best deal from our trading partners.

As we all know, 96 percent of the world's consumers, 96 percent of the world's consumers, they don't live here. They live in other countries. And U.S. manufacturers have more than a \$50 billion surplus with trade agreement countries.

In contrast, the U.S. trade deficit in manufacturing goods with the rest of the world was more than \$500 billion. And I believe Americans can compete with any country. We just need to give them a chance. Break down these barriers and American trade, along with American jobs, will take off.

We also need to repeal and replace Obamacare with patient center reforms. It may take a new President to fully repeal the law.

And this is something we have litigated a lot in this committee, and I know that good people will have different opinions on this subject, but this is how we feel. We need to start dismantling it piece by piece and replacing it with far better reforms. We have already passed three bills to do just that.

The point is take power away from bureaucrats and give it back to patients. That is how we can make health care more affordable. We have to get spending under control, we have to get spending under control, so that our country will no longer live under the threat of a debt crisis.

And, finally, we have got to get people out of poverty. We have got to restore upper mobility. We have got to restore the promise and the notion of the American idea that the condition of your birth, it doesn't determine the outcome of your life in this country.

That is what we were all taught. That is what we all learned. That is what many people have lived. But not enough are living it today. We need to get people from welfare to work.

There is a lot of untapped potential in our country. And this committee, this committee, has a real opportunity to help working families get ahead, and that is what this committee is going to be about, moving America forward.

So I have laid out just a few ideas to get the conversation started. Some, we will agree with one another. Some, we may not. I look forward to hearing from our Members and our witnesses. Everybody is going to have different ideas, and we want to hear them.

But I think we can all agree that building a healthy economy, that is our mission this year. That is our focus. That is our goal. Because that is what the American people deserve.

And, with that, I would like to yield to the distinguished ranking member from Michigan, Mr. Levin.

Mr. Levin. Thank you very much. And congratulations on your chairmanship, Mr. Chairman. That wasn't our first wish.

Let me also say that, as I expressed to you, if the Lions had beat the Packers, you would be clean-shaven today.

Chairman Ryan. And you would have a beard.

Mr. Levin. That is true.

So I want everybody to know why Paul Ryan is growing a beard. And if the quarterback's health doesn't resume, I think you will be clean-shaven at the next hearing.

Chairman Ryan. We shall see.

Mr. Levin. But, anyway, good luck to the Packers.

So let me just lay out a few views for us Democrats as we proceed.

Our economy has experienced a major bounce back. It has rebounded from the loss of 7 million jobs in a single year, beginning in 2008, an unemployment rate that soared to 10 percent in 2009.

More than 11 million private-sector jobs have been created in the last 5 years, as shown in the chart that I hope will now appear here, with 58 straight months of private-sector job growth, leading the unemployment rate to fall to 5.6 percent.

So I think reference to a "junkyard" is terribly misguided. I know something about cars. I think the economy of this country has been put back on its feet and is moving ahead.



You can see it in the stock market, if you wish to look at it, that has climbed to record highs. And the deficit, as a percentage of GDP, has been cut by two-thirds since 2009.

The Affordable Care Act, which the chairman and others continue to say should be repealed, has helped to dramatically cut the percentage of Americans without insurance. Millions now have it who never had it before. And healthcare premiums are growing at the lowest rate in 50 years.

This major reversal from deep decline out of the junkyard to economic growth occurred despite Republican opposition to the President's proposals, repeated GOP threats to default on our debt obligations, and an incredibly harmful 16-day governmental shutdown fueled by an unending ideological opposition to the ACA.

This year must see a different environment. It must, Mr. Chairman and colleagues, see bipartisan action on important issues.

Among the deepest challenges facing our economy today remains one that has persisted for decades, starting in the 1980s: stagnant middle-class wage growth.

And now this second chart, a striking one from EPI, shows the nearly flat line of wage growth that the bottom 90 percent of American workers has experienced since 1980, even as incomes have grown significantly, indeed, dramatically, among the very wealthiest.

This chart is really dramatic, showing, going back to 1980, the bottom 90 percent has more or less had stagnant income while for the very wealthy it has spiraled.

Indeed, in December, the Post chronicled the longstanding problems facing America's middle class. They found that the average wage in a quarter of American counties actually is lower today than it was 35 years ago.

That is real stagnation in the lives of America's middle class. And, yet, even immediate and much needed steps the Democrats have promoted to address this problem have encountered an ideological roadblock from Republicans.

Efforts to increase the minimum wage and to ensure that women earn the same as men for equal work, those have encountered fierce Republican resistance.

An administration proposal to require overtime pay for millions of additional white-collar workers who are currently not covered has been met with strong criticism from some Congressional Republicans.

And financing the long-term needs of our Nation's infrastructure has taken a backseat despite the fact we know investments in infrastructure create jobs now and make us stronger in the future. And this committee has not held a hearing on this topic in the last 4 years.

I hope that, in my further discussions with the chairman, we can reach agreement quickly on holding hearings on the financing of major infrastructure legislation as you, Mr. Chairman, and I have discussed.

Tax reform, as you say, must be a central focus of this committee. Democrats believe that reforming the tax code should not be centered on rate cuts at the very top for the wealthiest Americans -- and we have seen from the chart why that is true -- but, rather, on creating a tax code that is fair for working families, promoting economic growth, and eliminating loopholes for special interests, and ensuring that both individuals and businesses pay their fair share of taxes.

Under any circumstances -- and I emphasize that, Mr. Chairman and colleagues -- we learned in 1986 and we relearned more recently that tax reform to progress, it is essential that there be serious open discussions on a bipartisan basis from the very beginning, Mr. Chairman, and throughout. I hope we can proceed accordingly.

On TPP, negotiations are at a vital juncture, with many of the key issues still unresolved, as I am going to be laying out in the next days.

TPP is the most significant multilateral negotiation in over 20 years involving 12 nations representing 40 percent of the world's economy and representing many new issues for such multilateral negotiations.

How these issues are resolved is central to whether we are moving effective trade policy forward. The important challenge in trade is not just get it done, but get it right.

Congress must be a full partner. And, as we have discussed, Mr. Chairman, I strongly suggest we organize on a bipartisan basis to work and discuss the substance of TPP.

Thank you.

Chairman Ryan. Thank you, Mr. Levin.

For our witnesses, you will each have 5 minutes to present your testimony, with your full written statement submitted for the record.

I would ask that -- if you could just summarize your testimony in 5 minutes, because I know a lot of Members want to get on with questioning.

We will start with Dr. Holtz-Eakin, then Professor Feldstein, then Professor Johnson.

So, Dr. Holtz-Eakin, you are recognized.

**STATEMENT OF DOUGLAS HOLTZ-EAKIN, PRESIDENT, AMERICAN ACTION FORUM (WASHINGTON, D.C.)**

Mr. Holtz-Eakin. Thank you, Mr. Chairman, Ranking Member Levin, and Members of the committee. It is a privilege to be here today, and I look forward to your questions. You have my written statement. Let me make three points briefly before we turn to the questions.

First, policies toward economic growth are really important right now. As the chairman outlined in his opening remarks, the economy is now growing at something that looks like about 2 1/2, 2 3/4 percent. Third quarter over third quarter, it was 2.7 percent.

It generated 250,000 odd jobs in December --

Chairman Ryan. Doug, can you pull the microphone a little closer.

Mr. Holtz-Eakin. It generated about 250,000 jobs in December, but we continue to see very flat and sluggish real wage growth. We continue to see median household incomes fail to rise, and there is an obvious need to do better than the 2 3/4.

And there is some hope that, indeed, 2015 will show stronger economic growth, and I think we should all welcome that if it happens.

But it is important to remember that the Congressional Budget Office pegs the long-term potential growth rate of the U.S. economy at 2.3 percent so that if you take that at face value, this is the boom. These are the good times. And the thought that that is the best we can do I find quite troubling.

So I think the major objective for this committee, for the Congress as a whole, is to look for opportunities to change that 2.3 percent into a more rapid long-term potential growth for the U.S. economy so that we can get more sustained increases in the standard of living in the United States.

Historically, since World War II, the standard of living in the U.S. doubled roughly every 32 years. So in a person's working career, they could anticipate the standard of living doubling. They could anticipate buying a boat or taking vacations, sending someone to college, getting improvements of that type.

Given the pace of growth in recent years, we have seen the standard of living on track to double roughly every 90 years. That is simply unacceptable. We have to do much better over the long term in order for Americans to feel like they have the opportunity for the American dream.

That kind of growth comes from two sources. The first source is to actually build up and accumulate your skills, your technologies, the capital, the factories, the equipment, the means of production.

And incentives to accumulate those kinds of skills, technologies, and capital are essential and riddled throughout the jurisdiction of this committee, whether it is tax or trade or other policies. And that is one thing to focus on.

The second is greater productivity from the things that -- especially workers in the economy. And productivity comes from strong incentives. It comes from a minimal interference from policies that distort the decisions that firms make, allow them to choose the means of production to the best of their ability. And focusing on stripping away interferences with the productivity growth I think should be high on the agenda for the committee.

So what kinds of policies are they? Well, as has been mentioned, trade policies are a great opportunity right now, both the Trans-Pacific Partnership, the TPP, and, also, TTIP, Transatlantic Trade and Investment Partnership. Estimates in my testimony suggest that this could increase GDP by \$200 billion if fully implemented.

This has historically been a tremendous spur to productivity growth. If you go back to the mid-1990s, we put zero tariffs on semiconductors in a very important trade agreement, and immediately thereafter we saw a tremendous boom in the technology industries and the ability of Americans to compete and be very productive in those industries.

And I would argue we would see the same more broad benefits from these trade deals. But to get that done, you do have to give the President Trade Promotion Authority. I think that should be a top priority of the Congress.

Tax reform is a great opportunity. I won't belabor -- the pieces are in my written testimony. But the corporation income tax is very anti-growth. Ours is structured to be particularly anti-competitive. It is complicated, and it raises almost no revenue. So we are in the worst of all possible places with our corporate code. Individual code is very complex.

And the last is I would argue that the Affordable Care Act is riddled with anti-growth features. There is a lot of very bad tax policy as part of that. Put the need for revenues aside. The structure of the device tax, the structure of the health insurance fee are all highly inefficient and bad tax policy and ought to be looked at carefully.

And the basic expansion of mandatory spending goes in the wrong direction -- from the long-term problems in our federal budget where we are going to need to control that spending to control the debt and reduce the threat to long-term economic growth.

So there is a lot of opportunities in this Congress, and there is a great need for better long-term growth. I congratulate the committee for taking a look at these issues. And I look forward to your questions.

Chairman Ryan. Thank you.

Professor Feldstein.

**STATEMENT OF MARTIN FELDSTEIN, THE GEORGE F. BAKER  
PROFESSOR OF ECONOMICS AT HARVARD AND PRESIDENT EMERITUS  
OF THE NATIONAL BUREAU OF ECONOMICS RESEARCH (CAMBRIDGE,  
MASSACHUSETTS)**

Mr. Feldstein. Thank you very much, Mr. Chairman.

Chairman Ryan. You have got to turn it on, Professor, and pull it close to you. It is very unidirectional. Remember that word?

Mr. Feldstein. Thank you both for the invitation and for the advice on using this complex technology. I am pleased to appear again before this distinguished committee.

Tax reform can be the major driver of faster GDP growth. Fortunately, the American tax code is now better in many ways than it was when I first appeared before this committee. We now have lower tax rates on personal incomes, on capital gains, and on corporate profits. That improves incentives and contributes to faster growth and better jobs.

But there has also been backsliding in tax rates since the tax reform of 1986. Remedying this should be an important goal of tax reform. There are many high-priority tax reforms that can strengthen growth and reduce our fiscal deficits.

Because my time is very limited, I will focus on a few things that receive less attention than they should. Let me start with tax reforms that can increase the employment of women and raise their after-tax incomes.

Current tax and Social Security rules penalize married women more than others. The Federal Government taxes a wife's first dollar of earnings at the same rate as her husbands' last dollar of earnings. Other countries tax each individual on their own earnings, giving married women a greater incentive to work and to work at jobs that pay higher wages.

Social Security now taxes a women on her full earnings, but often provides no extra benefits. So many women receive nothing for a lifetime of Social Security payroll taxes. Reforming these rules would increase women's labor force participation and the Nations's GDP.

Let me turn to increasing employment among seniors. The labor force participation rate now declines from 64 percent among 60-year-olds to half that among those 65 to 69.

As you know, Congress in 1983 raised the age for full Social Security benefits from 65 to 67 and, as a result, the labor force participation rate among 65- to 69-year-olds rose from 21 percent to 32 percent.

Life expectancy at age 67 has increased by 3 years since 1983. Raising the age for full benefits in line with that increase in life expectancy would expand the labor force and raise real GDP.

Let me turn now to policies designed to raise our Nation's rate of saving and, therefore, our Nation's capital stock.

Household saving back between 1960 and 1985 averaged 9 percent of after-tax incomes. Now it is about a third of that. A variety of public policies contributes to the low rate of saving and the high rates of dis-saving. These include the deductibility of mortgage interest and the level of unfunded Social Security benefits.

Automatic-enrollment IRA plans and a shift of Social Security to a mixed system with supplementary investment-based personal retirement accounts would increase national saving and would, therefore, increase business investment that would raise real incomes and create better paying jobs.

Unfortunately, most of household saving is now absorbed by the Federal budget deficit. The resulting national debt has increased from less than 40 percent of GDP a decade ago to 75 percent now, with the prospect that it will rise to more than 100 percent unless Congress takes action to raise revenue and slow the growth of entitlements.

The good news is that small reductions in the annual deficit can prevent the rising debt level and bring it back to lower levels. Reducing the annual deficit from today's 3 percent of GDP to 2 percent would put us on a path to a debt ratio of less than 50 percent. That should be a basic goal for Congress in the next few years.

Reducing the annual deficits requires a combination of slower growth of government spending and increased tax revenue because the annually appropriated spending for defense and nondefense program is already being squeezed to historically low levels. Controlling government spending requires slowing the growth of the middle-class programs for seniors.

Tax revenue can be raised without increasing marginal tax rates by limiting the ability of taxpayers to use the tax expenditure features of the tax code to reduce their tax liabilities. These tax expenditures are a major form of government spending, indeed, I would say the major form of government domestic spending. Capping the use of these tax subsidies could also simplify the taxpaying process by inducing taxpayers to use the standard deduction rather than itemizing deductions.

My written testimony provides a reference to a recent study of how such a cap on tax expenditures might be implemented.

Finally, tax reform can also improve the way our Nation's savings are used. A key element in that is the corporate tax reform, reducing the corporate tax rate, now the

highest in the industrial world, and shifting to the type of international tax rule, the territorial system that is used by every other industrial nation.

So thank you again for the opportunity to summarize my views, and I look forward to your questions.

Chairman Ryan. Thank you, Professor Feldstein.

Professor Johnson.

**STATEMENT OF SIMON JOHNSON, RONALD A. KURTZ (1954) PROFESSOR OF ENTREPRENEURSHIP AT THE MIT SLOAN SCHOOL OF MANAGEMENT (CAMBRIDGE, MASSACHUSETTS)**

Mr. Johnson. Thank you, Mr. Chairman.

I am the former chief economist of the International Monetary Fund, and I would like to make three points about the recent and likely future U.S. experience in a comparative and global context. The first point is about the recovery. The second is about the longer term stagnation of wages. And the third is about TPP, trade.

On the recovery -- on the recovery, if we look at the U.S. experience compared with all the other countries affected by the financial crisis -- and it was a global financial crisis; it was the most serious crisis that the world has faced since the 1930s -- most other countries have struggled to recover from this crisis.

The right response to such a shock includes the active use of discretionary fiscal policy where available. The difficulty with such -- using such policy is: Can you make it timely? Can you target it appropriately? And will it be temporary?

And we have seen problems across other countries on these dimensions. But, again, looking at the U.S., we have done remarkably well on exactly these points, including the fact that the deficit has now come down and the debt level, while it has increased, as Professor Feldstein said, is better than in other countries and is not yet close to any levels that would trigger a debt crisis.

The problem, I would suggest, seen comparatively in the U.S. experience, has been the lack of consensus over the use of fiscal policy, including the repeated confrontations we have had around the debt ceiling and around the various issues that have triggered government shutdowns.

These are destabilizing to financial markets. They create a high degree of uncertainty. They have damaged our trading partners, also. We have exacerbated the problems in the Euro area several times through exactly this mechanism. I wish that we would stop. I wish that we would focus more on the medium-term issues that you are emphasizing, Mr. Chairman.

In that context, during the attempt to recover, I think there have been two important achievements.

The first is Dodd-Frank, which took on the issue of the financial risks that absolutely brought about the financial crisis. And if you repeal Dodd-Frank, you are going open yourself up again to another destabilizing global catastrophe.

And the second is the Affordable Care Act, which, contrary to expectations from some sides, has contributed to holding down healthcare costs, as Mr. Levin said. It is absolutely essential that we control our spending on social insurance programs, as Mr. Holtz-Eakin has emphasized.

I completely agree. And the Affordable Care Act has taken some very concrete steps in that direction. It is still early days, I agree, but we need those programs to have a chance to work and to be evaluated.

Secondly, on the longer term issue of stagnant incomes, we really have to step back and look at where do these come from. It is since the 1980s. That is what Mr. Levin's graph showed you.

And it is about technological change, which has eliminated middle-skill, middle-income jobs. It is about globalization, which has done the same thing, had big effects on inequality.

And this process, again, has affected -- this is nothing unique or special about the United States in this regard. Other countries are caught up in the same process.

The difference, though, is in the degree to which -- and the way in which public policy responds. You can either lean against that wind. You can work on improving human capital. You can work on education.

You can also strengthen health care and make it available to more of your citizens as a way to compete globally and to share those benefits or you can prefer some sort of trickle-down policies where you give advantages to people relatively high up the income scale -- and, as you see, they have already done well before -- you get into re-distribution -- help those people and assume it is -- that is going to share the benefits more broadly. That has been a disappointing performance for 90 percent of Americans since the 1980s. It is a 30-year problem.

I think Mr. Levin is right. There is plenty of scope here for changing and improving the tax system, keeping in mind the problems that we have, longstanding problems, with the decline of the middle class.

Finally, on the trade agreements, I completely agree with Mr. Holt-Eakin and Mr. Levin. These are very important issues. And TPP is absolutely center stage for this Congress.



However, I would urge all Republicans and, of course, Democrats to take the issue of currency manipulation very seriously. There has in the past been cheating by some of the Governments with whom we trade.

Cheating by Governments, that is something you usually don't like on the Republican side. They would -- have been cheating through manipulating their currencies.

Now, it is not currently the number one salient problem among the countries entering into the TPP agreement. That is a good thing. Now is a good moment precisely to negotiate that and to lock in the current more flexible currency arrangements, expectations, and norms.

But please do not think that just trade, just opening of trade, just more trade on the lines of TPP, is necessarily good for the middle class. It depends on the terms of the trade. If you let other Governments continue to cheat, it will go badly for our middle class.

Thank you.

Chairman Ryan. Thank you, Professor Johnson.

Dr. Holtz-Eakin, let me start with you. Your opening testimony was pretty staggering. Historically, we have doubled our standard of living among Americans every 32 years. At the rate we are at right now, it is 90 years. Is that right?

Mr. Holtz-Eakin. It is ballpark. We have been growing per capita GDP at .7 percent. Very slow.

Chairman Ryan. And our long-term CBO forecast, which you are the former director, is now growth rate of 2.3 percent?

Mr. Holtz-Eakin. Yes.

Chairman Ryan. In a nutshell, what is the explanation for that, that slower growth rate?

Mr. Holtz-Eakin. There are two pieces.

One is demography and the aging of the population, the retirement at older ages leading to fewer workers. The second is lower productivity growth.

And that comes from many sources. And the CBO has over the past 6 years steadily marked down its perception of the capacity of the U.S. economy to produce productive workers.

Chairman Ryan. Okay. So in two of those areas, this committee has enormous impact on issues within our jurisdiction.

Mr. Holtz-Eakin. Yes.

Chairman Ryan. Demography, getting people into the workforce, and capital stock, productivity, and -- the tax treatment of that.

Mr. Holtz-Eakin. Yes.

Chairman Ryan. In 1996 to 2000, you had a Republican Congress and a Democratic President. The result of that combination then produced welfare reform, a capital gains tax cut, a reduction in spending, a balanced budget, the deregulation of a telecommunications industry, and he had already previously negotiated and got approval of trade agreements with bipartisan support.

We saw very robust strong economic growth across the board. We saw people moving from poverty into the workforce, into better lives. It was a good time. It seems to me that that kind of combination of reforms is what we need now.

Give me your general sense of what could we best do to pull from the 92 million people who are not at work, what could we do to pull them into the workforce to help deal with that productivity issue, to help deal with that demographic issue that is giving us these lower trend growth rates, which is giving us these lower standards of living? And what could we do on the tax front to help increase our productivity?

Mr. Holtz-Eakin. Let me start with the latter. I think, number one, you have to deal with the corporate tax code, which the OECD research has identified as the single most potent anti-growth tax. And we have the highest tax rates in the developed world. That is an invitation to -- for bad growth performance and it also hurts our international competitiveness. I think you start with that.

More generally, I think you have to be especially focused on the growth impacts of the tax treatment of the return to capital, dividends, interest, capital gains, the tax treatment of corporations in that regard.

Economic growth is, in the end, quite simple. You give up something now in order to save and invest and make the economy bigger in the future. And at every margin, whether it is in Social Security rules, whether it is in tax rules, you want to provide people with incentives to do that and interfere with those incentives as little as possible in your tax code.

On the work front, I think, you know, in the United States, the difference between being poor and not poor is work and the difference between being successful when working and less successful when working is education and skills.

So at every juncture you want to have the social safety nets support work, as welfare reform did. And there is a lot of opportunities to do that. You want to take Social

Security and make sure it doesn't discourage work at older ages where we are going to have more highly skilled older Americans in years to come.

Every -- every time you take up an issue in this committee, you ought to ask "What are the work incentives and how can we do better?" And I think that is the recipe.

A lot people think growth is a bill. Growth - you pass a recovery act and you get growth and you check that box and go do other things. The truth is growth is a philosophy.

At every juncture, when you have to make tough policy decisions, when there are environmental considerations versus growth considerations, labor considerations versus growth considerations, you have to err on the side of growth and give it a chance at the -- in the policy discussion. And that is the job of this committee.

Chairman Ryan. Professor Feldstein, you were around in the Reagan Administration during two rounds of tax reform. We had 1981, Kemp-Roth; 1986, where the top rate was brought down to 28 percent. Capital gains, I think, went up to 28, if I am not mistaken.

Are there some lessons we should derive from that, positive, negative? That is Question 1.

Question 2: That was a different era where the global economy was far less integrated than it is today. Our rates are the highest in the industrialized world on corporations.

We are sort of unlike other countries in the industrialized world in that we tax most of our businesses as individuals through what we call pass-throughs, and the top effective rate there is, I believe, 44.6 percent effectively. So we are taxing our businesses at much higher rates than our foreign competitors are taxing theirs.

In this global economy in the 21st century, how much of a difference is that making with respect to global competitiveness and capital flows? And what are the lessons what we ought to derive from your past experiences in broadening bases and lowering rates? And what mistakes did you make then that you think we should avoid, if there are any, in a couple of minutes?

Mr. Feldstein. Well, I think the tax reform experience in the 1980s during the Reagan years was a very positive one. We saw rates come down. We saw a significant increase in tax revenue as individuals shifted from tax shelters, shifted into reporting more income.

And so the revenue cost of that was less than a pure static analysis would suggest and, yet, it also, of course, provided strong incentives for saving and for job growth.

The corporate tax has become a bigger and bigger problem. We used to have a much higher corporate tax rate. We brought it down. The rest of the world brought it down

more rapidly. So we now see ourselves with a higher corporate tax rate than every other country in the world.

And that, of course, puts our companies at a disadvantage. It raises the cost of capital. It makes it more attractive to invest abroad than to invest in the United States. And it raises the cost and, therefore, the prices of American products. And that makes it harder for us to compete with imports and harder to compete as we export to the rest of the world.

So I think that is why there is broad agreement that bringing down the corporate tax rate and moving to an integrated system, a so-called territorial system, for taxing corporate profits would make a lot of sense.

Chairman Ryan. I want to be respectful of other's time and, therefore, cognizant of mine.

So I will yield to Mr. Levin.

Mr. Levin. Thank you.

First, I would like there to be distributed two charts, if you would do that right now.

And, also, to our three witnesses -- it is a little clumsy here because of the way we are seated. Who is going to distribute them on this side, too? Who is doing that?

Chairman Ryan. You are not going to do it on the screen?

Mr. Levin. No. Just the old-fashioned way.

Come on. Just take some and distribute them over here, too. Will you?

Let me start -- let me discuss it just quickly because I don't want to dwell on it, except I do think it is a mistake to minimize the progress that we have made in the last years. We need to look to the future, but trying to degrade or, I think, misdescribe what has happened in these last years is a serious mistake.

These two charts show -- to pick up what you have said, Dr. Johnson, the first chart shows the net employment gain in the U.S. compared to the U.K., Germany, Canada, Japan, Korea, and all others, and you will see that more than half of the employment gain from 2010 to 2014 was in the United States.

The second chart, to pick up your point, Dr. Johnson, relates to GDP and selected economies.

And now our three witnesses also have it.

And it is very striking what has happened in other countries compared to the United States. And so, if we are going to move ahead, I think it is important not to misdescribe the past and I think it is also important for us to look at the policies that were undertaken.

And I hope, if I might say so, that the Republicans will take another look at their opposition to stimulus policies that have really worked.

Let me also say about the corporate rate, Dr. Feldstein and the other witnesses, I think we need to look at it. We need to also look at the effective tax rate because it varies dramatically according to sectors.

In some sectors, they are paying the full mid-30s, but in other sectors, the effective tax rate is much lower, and in some cases, the effective tax rate is zero. So I think we need to take a good look at it.

Going back to the first chart that I put on -- actually, it was the second chart -- I would like Dr. Johnson to -- if we could put that back, the second chart that I referred to, which talks about essentially the stagnant income for the bottom 90 percent in contrast to the top 10 percent and the top 1 percent.

Dr. Johnson, you referred to this a bit. But describe, if you would, a bit more -- this goes back to the 1980s. And you mentioned a few of the factors.

But as we try to turn our attention, as we must, to income stagnation for the middle class, just review what you think are the major factors that have caused this, going back now 35 years.

And maybe you can put on the screen, if we can do that technically, that second chart. If not, go ahead. Proceed.

Mr. Johnson. Yes, Congressman.

I think it is a very important chart, and I think it is important, also, that it doesn't matter too much which way you break it down.

If you did this for the medium wage, if you do it for the lower 70 percent or the lower 20 percent, it is a very similar story, that people who used to be in the middle of the income distribution and people who were middle class, people who had a high school education or 1 year or 2 years after high school, have done relatively badly in terms of income growth.

And that -- the research on this, which has been done by many people, Mr. Levin, including David Autor and his colleagues at MIT, emphasizes the importance of technological change. So computers and information technologies automated away a lot of what were administrative clerical jobs before.

Secondly, globalization, the pattern of trade that has developed, probably not as important as the technological change, but something that has reinforced that.

And, in addition --

Mr. Levin. Let me just break in.

I think, as we talk about the importance of exports -- and I want to do that -- relating to globalization, you have to talk about the impact of imports. And there is often a tendency to look at just one side of the equation when clearly you have to look at both. I think that is your point.

Mr. Johnson. That is a central point.

So David Autor and colleagues have some recent research on the effect of China's surge in exports to the United States, so our imports from China in the 2000s.

And they have mapped out in compelling detail the destruction of jobs in American manufacturing that came directly and specifically from that trade shock, which, by the way, was facilitated by an episode of currency manipulation in which the Chinese Renminbi was kept below its market value through deliberate government policy.

So imports are absolutely very important, Mr. Levin. They destroy jobs. And then those people go down -- if they can get a job, again, they go down in terms of the income that they can earn, and that is a big part of what lies behind the picture that you showed earlier.

Mr. Levin. Thank you. My time is up.

Chairman Ryan. Because we are having some technical difficulties with the technology here, for the record, it is, "When it comes to the pace of annual pay increases, the top 1 percent wage growth grew 138 percent." That is the slide that the gentleman from Michigan was referring to.

Mr. Levin. It was the second slide that we showed. Thank you.

Chairman Ryan. Okay.

Mr. Johnson.

Mr. Johnson of Texas. Thank you, Mr. Chairman. And, again, congratulations on being the new chairman. And I thank you for this hearing as well.

Mr. Holtz-Eakin, I want to begin by asking you some questions regarding the Social Security disability.

As you may know, the program is projected to become insolvent in 2016. And I will just say the last thing that should happen is Congress raiding the retirement program to bail out the disability program. This is worse than kicking the can down the road and actually makes the Social Security retirement program worse without doing anything to fix it.

Do you believe that reforming disability insurance, DI, would improve economic growth at all?

Mr. Holtz-Eakin. Yes, in a couple of ways.

First, on the merits of the program itself, we have a clear issue with people going onto disability insurance. And I think it is useful for this committee to review the definition of disability.

We now basically divide people in these concrete groups: can work, disabled. And, in fact, there is a much more fluid reality out there about people with physical and mental disabilities being able to continue to work.

And the DI program provides a bad incentive to have them not work at all. And there is a lot of fraud in the entry process on top of that.

The second thing is DI is a black hole. People go into DI, they never come out.

Mr. Johnson of Texas. Tell me.

Mr. Holtz-Eakin. And I ought to -- and I think the committee ought to think hard about especially young people who are on the DI program, who, if they got continuous monitoring, would actually find ways to exit and move into the labor force at a relatively young age, and we would benefit from that.

So I think the structure of the program itself deserves serious review. And it is a great opportunity for the Congress to look at a mandatory spending program and, instead of just stealing money from another part and financing it or just cutting it, reforming it so that it meets its social safety net objectives and costs less. That is what we are going to have to do with the Federal budget.

We have a mandatory spending problem in the years going forward. We have tried things like cutting Medicare physicians with the SGR. It doesn't work. We need reforms, not cuts, and DI is a good place to start.

Mr. Johnson of Texas. Thank you. I agree with you, and I am sure most of my colleagues do, too.

As you know, it can take a long time for a person to receive a decision on an application for disability.

For those that don't qualify for benefits, how does this time out of the labor force, in your opinion, affect their earnings?

Mr. Holtz-Eakin. In general, long spells of unemployment are bad for people's future earnings ability. And we learned that in this downturn. We have learned it -- the same lesson again and again. To have a policy induce people to undertake such a spell is a bad incentive.

Mr. Johnson of Texas. You know, sometimes workers take Social Security before they stop working. In other cases, they need to keep working to supplement their retirement income.

However, if they claim benefits before their full retirement age, their benefits are reduced based on how much they earn due to the retirement earnings test.

How can we better encourage work, especially later in a worker's career?

Mr. Holtz-Eakin. There is a long list of things one can do by, as Dr. Feldstein mentioned, looking at the normal retirement age and moving it to match the current life expectancies, the taxation of Social Security earnings. When people are working and have earnings is something that is worth looking at.

The program itself needs to be reformed. I mean, again, as the committee knows, this is a pension program that is kept actually set on the books by the promise to cut benefits 25 percent across the board in 20 years. Not a very good way to run a pension program.

So it ought to be reformed so that it will be sustainable for the future, people know what the deal will be. They will then be able to make their labor force decisions and know how much they have to earn and how long they have to work. All of that would be beneficial.

Mr. Johnson of Texas. Okay. Tell me why you think we ought to tax those earnings, because they have already been taxed once.

Mr. Holtz-Eakin. I didn't say I wanted to. I said I think you ought to re-examine that.

Mr. Johnson of Texas. Okay.

Thank you, Mr. Chairman. Yield back.

Chairman Ryan. Thank you.

Mr. Lewis.

Mr. Lewis. Thank you, Mr. Chairman.



Mr. Chairman, I want to take an opportunity to congratulate you on becoming the chairman of this committee. And, like Mr. Levin, I look forward to working with you, sir. Thank you.

Welcome, members of the panel.

Dr. Johnson, would you like to comment on the question raised by Mr. Johnson.

Mr. Johnson. Yes, Mr. Lewis.

This is an issue -- a problem that we encounter in many severe crises. This is the -- why preventing severe financial crises is so important, Mr. Johnson, because when so many people are dumped into the labor market -- when so many people are dumped out of the labor market, lose their jobs -- more than 7 million people -- as Mr. Levin said, you overwhelm everybody's capacity to cope and more people do end up on disability. A lot of them end up with stress on disability because of what has happened.

So that is why the Dodd-Frank reforms are so important, and I urge you not to lose track of that part of the big picture. And this is why the fiscal stimulus was so important, also, getting people back to work, making sure that they stayed engaged with the labor force and kept those skills.

As you said, it is about long term being thrown out of work, and then people couldn't find a job, Mr. Johnson. Those are the circumstances in which we found ourselves at the end of 2008 and in 2009.

Mr. Lewis. Thank you very much, Dr. Johnson.

The budget passed by the House Republicans last year would have unfairly targeted low- and moderate-income Americans for significant cuts in assistance with at least 69 percent of its non-defense cuts coming from programs that served people of limited means.

Now, I want you to tell us: Do you worry that cutting medical, food, and education assistance to struggling Americans might be counterproductive to long-term economic growth?

Mr. Johnson. Yes, Mr. Lewis. I think the human capital, people's ability to learn, children's ability to go to school and to concentrate, this is absolutely affected by their access to nutrition, by their access to health care.

Medicaid for children is a very sensible investment in the long-term future growth of the country and in its fiscal sustainability because those are the people who pay taxes when they are grown up.

If they can't concentrate, if they are -- if they are sick, if they are absent from school for those reasons, or if their family has medical emergencies that mean they can't keep the children in school, all of this impacts negatively, obviously, the individuals and the family, but, also, the rest of us as a society and -- and as people responsible for the fiscal accounts.

Mr. Lewis. Are you further concerned that huge cuts for low-income Americans might increase inequality, which is already a growing concern all across our country?

Mr. Johnson. Yes, Congressman. I think inequality is an important issue, and that is what you saw in Mr. Levin's chart.

But what I would stress, it is not just about inequality. It is not just about redistribution, at this point in our history, it is about growth. It is about human capital. It is about people. It is about who are you helping when they are young and they are poor and their families can't help them. What kind of opportunities are you providing?

I think it is, also, Mr. Lewis, about immigration reform. We should be encouraging more people to enter the country legally and join the labor force, including families with young children.

That is a huge advantage we have relative to other industrial countries, our potential growth in our labor force through legal immigration. No other major developed industrial country has that kind of opportunity looking forward.

Mr. Lewis. Thank you very much, Dr. Johnson.

Chairman Ryan. Thank you.

Mr. Nunes is recognized.

Mr. Nunes. Thank you, Mr. Chairman.

Dr. Holtz-Eakin, I have been working for several years on a proposal to kind of get us out of the sandbox that we have been in for the last 100 years with a progressive tax code and get us to a system that allows us to really let investment flow where it needs to flow and let capital come off the sidelines that is sitting on the sidelines not only in banks here in the United States, but, also, offshore and let that money go to where it is best used in the economy where entrepreneurs and investors want to invest.

You are familiar. It is based off of the Bradford X Tax. What I did is I converted it into taking that tax and just looking at it as a -- on all business activity and created a cash flow tax. Been working under Chairmen Camp and now Chairman Ryan with joint tax to try to get this to a revenue-neutral score because it is a theory now.

But I am trying to vet it and get it out there in the public so that all Republicans, Democrats, the American people, have a chance to look at what it would look like under a completely different tax structure. I know you are familiar with it.

And I would like for you just on the -- if you could, on the record kind of talk about the positives and possibly the negatives with transitioning to a tax like this.

Mr. Holtz-Eakin. As you know, I am a student of the late David Bradford, who was one of the greatest tax policy minds this country has ever seen, and I am a big fan of your tax system as a result. I think it has a lot of virtues from the point of view of equalizing effective tax rates on investments across sectors of the economy -- something that is an important consideration.

It can be paired with the kind of territorial systems that Dr. Feldstein has mentioned that will allow us to stop the practice of locking offshore the overseas earnings of our most successful global companies and bringing those back, invest them in the United States. Again, that is having investment flow to its highest rate of return and reaping the reward of doing that.

It, effectively, taxes people on what they take out of the economy, what they consume, as opposed to what they contribute to the economy -- their efforts, their skills, their savings in the capital pool. And I think, as a basis for taxation, that is a very fair principle, to tax people on what they take out.

And it distinguishes, as a result, between a high-income individual who lives a lavish lifestyle and takes a lot out and a high-income individual who plows it back into the economy and helps the Nation as a whole. And I think that is something we ought to think about when we think about fairness; not all high-income people are created equal.

The downside, in many people's eyes, is the inability to, sort of, have high effective tax rates on the affluent -- I think that can be addressed with a progressive tax structure -- and how you treat the return to capital for people who are extremely successful.

And this system, I think, is especially desirable because it basically turns the whole world into a big traditional IRA. You deduct any saving investment when you make it, and you tax everything that comes out, the original plus the earnings when it is realized.

That means that if you, you know, hit a windfall, if you end up being Microsoft or you end up being an enormously successful startup, all of that success gets taxed. In other systems that try to attempt to give good investment incentives, they look like Roth-style things, where you pay the tax and then whatever happens after that goes untaxed. That allows much more in the way of windfalls to be untaxed.

So if you have to pick at this point in time a pro-growth policy -- and that would be a very pro-growth policy -- that has better fairness considerations, I think it is really a very good candidate.

Mr. Nunes. Well, it is fairer to the entrepreneur, right? Because now we have --

Mr. Holtz-Eakin. Yep.

Mr. Nunes. -- entrepreneurs make their startup decisions based off of the Tax Code, which is exactly what we don't want them to do.

Mr. Holtz-Eakin. Yes.

Mr. Nunes. We only have a minute left, Dr. Feldstein. I don't know if you are familiar with the X tax, but I would like to get your thoughts, if you could.

Mr. Feldstein. I am also a fan of the X tax. I think the idea as Douglas Holtz-Eakin described it, as a kind of generalized IRA in which individuals can save and pay tax only when they take it out, is a way of improving the fairness and also contributing to savings incentives and growth.

Mr. Nunes. Well, I look forward to sharing the proposal with you. It is just a draft for now, but I would like to get your comments when you can.

And I would also like to get your comments also, Mr. Johnson, at a later date.

Thank you, Mr. Chairman. I yield back.

Chairman Ryan. Thank you.

Mr. Neal is recognized.

Mr. Neal. Thank you, Mr. Chairman. And congratulations again.

The panelists that we all have are all well-regarded, so I want to talk a little bit about dynamic scoring. Recently, Mr. Larson and myself, we had a chance to see an almost completed project along the rail line from New Haven to Hartford and on to Springfield and on to eventually Saint Albans, Vermont. It will mean 12 to 16 more trains a day between New Haven and Springfield. There are two union stations that are under reconstruction because of it, involving substantial Federal expenditure, in one case up to \$82 million.

Now, I supported stimulus, got up on the floor and spoke in support of the stimulus package offered by President Obama. And I believe Dr. Feldstein supported the stimulus package.

And you will have a moment, Doctor, to reject that if it is not true.

But how, according to Mr. Ryan's dynamic scoring undertaking, would you measure the effect of stimulus in terms of investment, which I happen to believe is a pro-growth

economic undertaking? And I am comfortable enough asking all three panelists to tell me what you think of it.

Mr. Feldstein. Let me go back to the stimulus bill in 2009. At that time, interest rates were down at about zero, and I thought we did need a fiscal stimulus. I thought the design of that particular bill was not good. I thought, in the end, it provided some stimulus but probably added more to the national debt than it did to GDP.

I think, in the end, we have had a very significant recovery because the Federal Reserve took over, introduced so-called quantitative easing, drove down long-term interest rates. That ultimately led to, as Ben Bernanke predicted it would, led to big increases in both home values and stock market equity values, so household net worth rose \$10 trillion in 2013. And that led to increased consumer spending. And that, in turn, led to more hiring by firms, more inventory accumulation. And that gave us the recovery that started in the second half of -- the serious recovery that started in the second half of 2013.

So I think that, as a more general proposition, when you do tax changes or you do spending, it is worth trying to calculate what that is going to do to GDP. And, historically, on the tax side, that has not been done, so Congress gets --

Mr. Neal. Could --

Mr. Feldstein. -- an incorrect view of what the costs are of tax reductions and what the benefits are of tax increases.

Mr. Neal. Thank you, Doctor.

Could we hear from the other two quickly? We only have about 2 minutes.

Mr. Holtz-Eakin. This is a big issue, but I would just point out a couple of obvious things.

First, very few bills are substantial enough in their impact to merit looking for the growth impacts of those bills, which is what dynamic scoring does. It expands the boundary to check does the economy as a whole get larger or smaller as a result of the legislation. So, you know, a couple of bills in each Congress will probably merit this consideration. I don't think it is going to change most of the work of the Congress very much at all.

The second thing I would say is this is not a new thing or a particularly exotic thing. Every President's budget is dynamically scored. If you read it, it says, these estimates are contingent on enacting all the policies of the President. So we have been doing it. The CBO has been doing it since 2003. The Joint Committee has done it.

The third thing I will say -- and I know we are running out of time: It is no more uncertain or no more difficult to do than conventional scoring. I had to score terrorism

risk insurance, the financial consequences of an unknown attack at an unknown time with an unknown weapon. That is hard. I mean, so there are going to be judgments and difficulties in conventional and dynamic scoring. I don't think any of that should stop the members of this committee from knowing those things which are better for growth as opposed to those which are not.

Mr. Neal. Could we --

Mr. Johnson. Well, Mr. Neal, I agree that we should consider the full growth implications, but dynamic scoring is very complicated.

And some of these models that they are using for dynamic scoring have got some strange features, including full employment, for example. Now, assuming full employment in the modern American context is a little bit of a stretch, for example.

So I think it needs to be used extremely carefully. And I worry that it can be and sometimes is used to justify whatever outcome people are seeking.

Mr. Neal. Mr. Chairman, I hope you will --

Chairman Ryan. Thank you.

Mr. Neal. -- examine at the time the opportunity to apply dynamic scoring, if that is the embrace of the rules package passed by the House, that you will consider the idea of spending as it relates to the dynamic scoring.

Chairman Ryan. It is in the House Rules. I think the gentleman should review, but --

Mr. Neal. We looked at it, Mr. Chairman. A bunch of the emphasis was on --

Chairman Ryan. It is CBO and Joint Tax, and --

Mr. Neal. -- tax cuts.

Chairman Ryan. -- it is spending as well.

Mr. Neal. All right. Thank you.

Chairman Ryan. So the gentleman's concerns have been addressed.

Mr. Levin. No, but the language is different as to spending as to revenue.

And I suggest -- there is an article in The New York Times about Medicaid and children --

Chairman Ryan. The gentleman's --

Mr. Levin. -- that you ought to look at.

Chairman Ryan. The gentleman's time has expired. We can revisit this another time.

Mr. Tiberi is recognized.

Mr. Tiberi. Thank you, Mr. Chairman.

Dr. Holtz-Eakin, you mentioned in your testimony that trade creates jobs, in fact, supports nearly 11 million jobs in the United States.

In my home State of Ohio, home of the national champion Buckeyes, by the way, there are --

Mr. Holtz-Eakin. But no beard, sir?

Mr. Tiberi. Because we are winning. Well, never mind.

A lot of misconceptions, a lot of rhetoric thrown around, particularly during Presidential campaigns. In fact, we have had Presidential candidates talk about trade being bad but exports being good.

Can you do trade without exports or exports without trade?

Mr. Holtz-Eakin. No.

Mr. Tiberi. Okay.

It has been pretty surreal to watch.

In Ohio, international trade supports 1.4 million jobs. We in Ohio, since 2002, goods exported to our trading partners account for about a 48 percent increase over the last 12 years to our trading partners. Our trading partners purchased 19 times more goods per capita from Ohio than nontrading countries in 2012. Canada is our biggest exporter, but NAFTA is bad, many people in Ohio think -- again, campaign rhetoric.

So my dad was a steelworker, and, like many jobs that people in that industry have had, those jobs didn't go overseas; technology changed those jobs.

Oftentimes, Dr. Holtz-Eakin, we never hear about the advancement of technology and what that has done to our economy. The scapegoat tends to always be, "These jobs went elsewhere." I have toured manufacturing plants where there used to be 20 people on an assembly line and now there is 1 -- 19 jobs gone because of technology. There are a lot of efficiencies, by the way, but those cost jobs.

So, as we move forward, with respect to your testimony, I think there is a huge opportunity for America, whether you look at trade, exporting, the Tax Code. We in the United States are doing well despite the fact that we have one arm tied behind our back, whether it is the high corporate tax rate that we have talked about, whether it is the fact that we have fewer trading partners than many of our allies do around the world.

Can you tell us why, particularly on trade, opening up additional markets and giving the President TPA is important sooner rather than later, why that is important to our economy and jobs in Ohio and other States?

Mr. Holtz-Eakin. So it is important now because we are not fully employed. We don't have everybody who wants to work at work. And additional opportunities to access markets and sell our products, bring people into the labor force to make those products are especially important right now. And moving quickly is beneficial.

The second thing is we will be in at the ground floor of setting the rules for those trading arrangements. And if you are on the sidelines, the rules are written in ways that are probably undesirable, and waiting is not a good idea. Be at the table.

Third thing that is important is that ultimately we would expect us to get back to full employment, but this is an opportunity to sell to the parts of the world where we are going to see the greatest income growth in the years to come. And that is better income. That means better jobs, not just more, but people's jobs will be better as a result.

And then the third is you get the opportunity to take advantage of the technologies, as you said. If you have the ability to do something better, you can take advantage of that through trade.

The biggest example of change in trade recently has been driven by technological advances in natural gas and oil exploration. It has changed the global lay of the land for the United States permanently. You could not imagine the level of geopolitical risk that we have in the Middle East right now and oil prices at \$50 a barrel 5 years or 10 years ago. It just wouldn't happen. It has also changed our imports of those products, and that has been a big change in trade.

So, you know, it is hard when people get displaced by trade. It happens. It is not all exports; there are imports. But it is an opportunity. And if the economy as a whole takes advantage of that opportunity, we have more people working and they are making more money.

Mr. Tiberi. But the displacement is not --

Mr. Holtz-Eakin. No, it --

Mr. Tiberi. It is also technology. Technology enters into it as well.



Mr. Holtz-Eakin. It is not all international trade.

Mr. Tiberi. Right.

Mr. Holtz-Eakin. It is interregional trade. Textile jobs that used to be in the Northeast went to the South. I mean, this is part of an economy adjusting --

Mr. Tiberi. Thank you.

Mr. Holtz-Eakin. -- and it is not unique to trade.

Chairman Ryan. Thank you.

Mr. Doggett is recognized.

Mr. Doggett. Thank you, Mr. Chairman.

I suppose in a hearing on this topic of this import that it is merely an oversight that, I guess, the leader of Republican thinking on this, in the Senate at least, Senator McConnell, began this session by noting that what he called the uptick in our economy resulted from the mere expectation of a Republican Congress.

And it is good to know that, after so many apocalyptic predictions about the Economic Recovery Act, the Affordable Care Act, and almost everything else that over the last 6 or 7 years this administration either has done or has not done, that we have enough progress that some Republican leadership is claiming credit for all the things they said would hurt or hinder the economy that have, in fact, in most cases, helped it significantly. I guess that it does give new meaning to the old reference to the memory of an elephant.

One of the areas that, of course, we have not seen the progress that we need to see that Mr. Johnson has referred to is the fact that not all Americans have shared. And this is not by accident. But the data is rather remarkable, that, according to the Pew Research Center, we have the widest wealth gap in 3 decades, that the compensation for the chief executive officers at American corporations was about 20 times that of the typical worker back in the 1960s but in more recent years it has become about 300 times a typical worker's pay. Since 1979, worker productivity increased by about 65 percent, but worker wages remained essentially flat, but CEO pay grew by almost 1,000 percent.

I think that this income inequality has some of the same pernicious effects on economic growth in our country as just discrimination against various groups, gender discrimination, for example, claiming that we are not going to permit, as some societies continue to do, women to participate fully in our economy. Well, in this case, we have treated one group of Americans as really not having the potential to achieve their -- or not being able to fully achieve their God-given potential.

Mr. Johnson, I just wanted to ask you about that further, what the impact is of decisions here in Congress, either through action or inaction, to not have all Americans participate in this and adopt policies like the American Opportunity Tax Credit and increases in Pell grants to assure that more Americans can share and can contribute to the economy. Does that have a direct impact on our future economic productivity and growth as a country?

Mr. Johnson. Mr. Doggett, it has a huge impact.

Look, the process of technology and globalization we have been discussing. Nobody is asking you to be like King Cnut trying to turn back the tide. You can't do that. But there are many sensible policies absolutely under the jurisdiction of this committee, including the Pell grants, for example, including other ways that will encourage people, give them an incentive, give them resources or enable them to become educated.

We know what kind of skills you need in order to be productive, in order for our country to compete globally. We know you need to be much better at using information technology. We know that you need to have quantitative skills and analytical reasoning skills. We also know it is very hard for people for many parts of the income distribution to get those skills. And it is very hard for them to get any kind of post-high-school education.

I think we should shift away from talking about K through 12 as our expectation for education to K through 14, because you need those 2 years post-high-school to have any chance of decent, high lifetime earnings and being able to pay taxes.

Mr. Doggett. As far as corporate taxes are concerned, Mr. Johnson, it is difficult to see how you can lower the rate much more for a company like General Electric unless you begin to pay them for operating, which we, in fact, have done in some years, where corporation after corporation pays its lobbyists more than it pays the Federal Treasury.

As you look at corporate tax reform, is it important to close loopholes at the same time that we make any changes to the statutory rate?

Mr. Johnson. Yes. I think you -- if you are going to consider just corporate taxes, you should consider a revenue-neutral approach. Of course, quite a few of the proposals that we hear would do away with some form of accelerated depreciation. I am not sure that is going to help in terms of capital formation.

But the other point is, compare around the world, compare with other countries. The World Bank does this, asks entrepreneurs how do they assess the business environment. We are number seven in the world, and we are very close to five of the countries that are above us in those rankings.

Chairman Ryan. Thank you.

Mr. Reichert?

Mr. Reichert. Thank you, Mr. Chairman. And congratulations again.

Like my colleagues, I support a robust trade agenda. I come from Washington State, and I think most everyone knows that Washington State, with Boeing and Microsoft and other large corporations, 40 percent of the jobs created in Washington are a direct result of our strong trade agenda.

Not only, I think, do most of the colleagues on this panel agree with the strong trade agenda, but, in fact, the President of the United States and our Ambassador, Mr. Froman, both agree that TPP and TPA are critical to doubling our exports and creating jobs in America.

I happen to be a member of the President's Export Council and have been for the past 6 years and have been at almost every one of those meetings. And, of course, the President's wish and the Ambassador's wish is that the Democrats recognize the importance as much as the President and the Ambassador do and help him get both TPP and TPA passed through this Congress.

As I said, 40 percent of the jobs in Washington State -- now, Mr. Tiberi talked a little bit about technology. My focus is more on small business and how technology has helped small businesses. We all think of exports and larger corporations across this country exporting their goods like airplanes, et cetera, but I have a son-in-law who is currently in China, a small software producer, and I have a son who is a -- it is a machine shop, who sends his product -- they have 10 or 12 employees. He sends his products all over the world.

How important is trade, Mr. Holtz-Eakin, to these small businesses and the future and the expansion of their businesses? How important is trade to creating jobs in those small businesses and opportunities for people who migrate to those small businesses for their employment?

Mr. Holtz-Eakin. So, as a ballpark number, 70 percent of our exporters would be conventionally classified as small businesses. And because they are small, the value of what they export isn't that large, and those value numbers get dominated by the Boeings and Microsofts of the world. But in terms of being engaged in international commerce, small businesses do this. And it is an important part of their customer markets, to be able to get to other countries and sell there.

We also know that it is those small and growing businesses that create the majority of jobs on an ongoing basis in the United States. So their access to those markets and their ability to trade is intimately linked to our success in creating new jobs at higher pay and getting rid of the old less high-paying jobs as a part of the national economic growth.

So I think it is important to keep an eye on good ability to trade, trade agreements that level the playing field and allow us comparable access to other markets.

Mr. Reichert. And we are talking about 80 percent or more of the jobs created across this country are really created by small businesses, correct?

Mr. Holtz-Eakin. Yeah. The small growing businesses, that is the place where you see the majority of the job creation.

Mr. Reichert. And that really creates -- trade really creates an opportunity to sell their product not only here, of course, in the United States but in what everybody has described, I think, on this panel -- 95 percent of our market is outside of this country.

Mr. Holtz-Eakin. And the advantages come in very subtle ways that are hard to document, but, you know, you sell in another market, you see the kinds of competitive pressures you face there, the kinds of technologies your competitors are using, the kinds of marketing business models they use. And those things get acquired and diffused into American firms and make them more effective, whether it is in physical technologies or the way they run their business. So there is a lot of advantage of being engaged in these activities.

Mr. Reichert. Thank you.

Mr. Feldstein, I would like to address my last question to you quickly. In another area where we have the ability to boost our economy, it is through tax reform. As was mentioned many times, businesses large and small will benefit from finally, since 1986, looking at our Tax Code and creating some certainty and stability in our Tax Code and the opportunity to grow and invest, of course then creating jobs.

What about passthrough businesses -- sole proprietorships, partnerships, S corporations? They face a high marginal tax rate in addition to high compliance costs. How do you see the change in the Tax Code specifically helping those small passthrough businesses?

Mr. Feldstein. I think that is a major challenge that you face as a committee and as a Congress in dealing with tax reform, that lowering the corporate tax rate, where both the President and the Republicans have said we have to get down into the 20s, will still leave passthrough businesses, who file through their personal tax return, facing much higher tax rates.

So somehow that has to be dealt with, and by treating the business income of passthrough individuals differently from other things so that, in effect, they get the advantages of the lower tax rates that come with corporate tax reform.

Mr. Reichert. I yield back.

Chairman Ryan. Thank you.

Mr. Larson?

Mr. Larson. Thank you, Mr. Chairman. And echoing the sentiments of the committee, congratulations on two fronts: becoming chairman and you and Mr. Kind's great success with the Green Bay Packers.

Condolences to Kenny, Kevin, and Sam. You guys was robbed. It was a catch. But I don't want to create further controversy.

I would also note that --

Mr. Levin. How about the Detroit Lions?

Mr. Kind. That is dynamic scoring, Mr. Chairman. I object.

Chairman Ryan. It is called completing the process of the catch.

Mr. Larson. That is really dynamic scoring.

But it does get to the point -- first, I also want to acknowledge Aetna today, which in my district is announcing a floor of \$16 per hour for its employees, in large part due to the success of the Affordable Care Act and coordinated care and all the innovation technology and coming and merging together of a pro-growth industry.

So I wanted to acknowledge that and also return to the point of dynamic scoring, not as it related to the game, Ron, but as it relates to the rules that are before us and with respect to infrastructure in general, something that this committee desperately needs to address, in terms of our highway infrastructure but roads, bridges, sewage system, broadband for our schools.

Quick answer from the members, a "yes" or "no": Should dynamic scoring be included in major national infrastructure programs?

And we will start from left to right with Mr. Feldstein.

"Yes" or "no"?

Mr. Feldstein. If it is really major, I can see the case for it. But as has been commented on --

Mr. Larson. Well, with 70 percent of the roads and bridges in deterioration and that has long been neglected by the Congress, it seems like this is a pent-up need that certainly would require that.

Mr. Feldstein. It would be good to know what impact on GDP that kind of infrastructure program would have.

Mr. Larson. Mr. Holtz-Eakin?

Mr. Holtz-Eakin. If it is large-scale or mandatory spending, it will, under the House rule, be -- it will be scored. I mean, that is the rule.

If it is extremely large-scale and plausibly going to have macro impacts, the committee chairs can designate legislation to be major legislation and have it be dynamically scored.

So, you know, there is nothing about these rules that tilts the field in one direction or the other.

Mr. Johnson. Yes, Congressman, but can we also please include Medicaid for children, the Affordable Care Act, and the Dodd-Frank financial reforms, which are absolutely scored backwards, according to the CBO?

If you repeal some parts of Dodd-Frank, you are supposedly going to save the budget. You are not going to save the budget anything; you are going to open yourselves up to massive financial risk and another debt catastrophe like the one we just had.

So if you are going to fix scoring on all these dimensions, please do it comprehensively.

Mr. Larson. Now let me yield to my colleague from Massachusetts, who I think was making the point of differentiating on those rules as they exist. If I can, I would yield to Mr. Neal.

Mr. Neal. I think what we are trying to get to here is the idea that there are economic outcomes that come from significant infrastructure investments that are not only long overdue but have been resisted by the majority in the House.

And the path forward seems to me to be one that would include, for example, an investment in two huge union stations from Hartford to Springfield, putting a lot of construction workers on the job; the rail being improved; broadband having been extended to the hill towns of western Massachusetts so that children -- who, by the way, live in communities that have first-class colleges have to go to the parking lot at the local library during the evening hours to connect to the Internet.

And I think that those are the sorts of measurements that we want to be assured of as we go forward. If we are only going to apply this to tax cuts, then it seems to me as though it is ill-considered. And if we decide that we are going to talk about long-term investments, what better way to do it than improving rail transportation?

And just for our colleagues here that are dubious about high-speed rail, that first train when we got to western Massachusetts on the way to Vermont and to a couple of small towns, that train got up to 79 miles an hour. And how do we measure that accurately, consistent with the point that Mr. Larson has made, if we resist the idea that that doesn't count in terms of a long-term forecast of economic -- and, Mr. Johnson, will you take a shot at that?

Mr. Johnson. I think we should be considering these broader economic impacts, Mr. Neal. I worry about the uncertainty of the dynamic scoring model on the tax proposals. And I think that looms very large over this Congress. So that is why I think you have to be careful with exactly the details of the models that are being used and exactly the implications.

But, of course, you are right; there are growth implications, positive growth implications, for renewing and expanding the infrastructure of this country.

Chairman Ryan. Thank you.

Time for the gentleman has expired.

Mr. Boustany is recognized.

Mr. Boustany. Thank you, Mr. Chairman.

Here we are in year 6 of the recovery, and I think we have all established that growth is absolutely essential.

And I think, Mr. Holtz-Eakin, you really laid out the task of this committee very, very clearly. And our task is to accelerate long-term growth in this country beyond the paltry 2.3 percent that we are seeing.

And as I have looked and read many, many things during the course of these past few years, trade and energy have been the two accelerants that have worked against the drag that we have seen in this economy as we have tried to climb out of the recession.

And I want to point out, in my State, in Louisiana, we are now seeing \$86 billion in new investment in my district alone related to trade and energy. Exports now account for 25 percent of the State's GDP. We have doubled exports in 4 years. And this is all within the trade and energy space, from LNG exports to chemical and petrochemical exports. We have seen a resurgence in manufacturing as a result. These are bright spots.

What really worries me in all of this are the macroeconomic threats to this, and we haven't talked about that today. From the slowing in Asia, slowing of growth in Asia, clearly the problems in Europe, where they can't get policy straight as to what direction they are going to go -- and we are seeing, you know, many of these countries in recession -- and, of course, insecurity in the Middle East and elsewhere, what do we do about those things?

There are many things we have talked about here that we can do with regard to domestic policy, from tax reform, education, and so forth, much in the jurisdiction of this committee. But what can the United States do to mitigate these threats and lead? Because without U.S. leadership we will not see the type of growth needed in this country nor globally.

I believe that America's opportunity to lead, the catalyst for leadership is trade promotion authority, which then opens a door and gives our negotiators the best leverage to move forward on TPP, on TTIP, on TISA, and all these trade agreements. This is the opportunity, and this is our opportunity for growth. We have to focus on what we can do to lead in the global economy.

Now, with energy and trade and the success story we are seeing in Louisiana -- and I am afraid a lot of that is threatened -- there are two things I want to point out.

One, it is my sense of it that these jobs related to exports and manufacturing exports as well as energy jobs pay significantly better than jobs unrelated to that. For instance, many, many folks back home with a high school education, not even an extra 2 years, are making pretty good money, significantly better than jobs unrelated to energy. And we know of stats that deal with trade- or export-related jobs. I think the figure is roughly around 18 percent higher than non-export-related jobs.

Would you all agree that these types of jobs pay better, on average?

Mr. Feldstein. I think that is a fact.

Mr. Boustany. So, as we deal with income inequality, this is also one of the potential solutions, by embracing trade policy, opening markets, and also embracing this remarkable energy revolution which we are seeing today, not penalizing it with taxes or other things, but embracing it as a truly revolutionary development that will put the United States in a leadership role.

Yes, Mr. Johnson?

Mr. Johnson. So, Mr. Boustany, I agree with you completely on the strategic role of trade. I think that is the right framework.

But the question, particularly for this committee, is, do you want to give the -- do you need to give the TPA, the so-called fast track, to the administration right now? These negotiations are, as you know, quite well along, and you could instead focus your attention on the TPP and, if you want, on the TTIP, on the European --

Mr. Boustany. Look, reclaiming my time, I will say that our negotiators need to maximize their leverage in these negotiations. And I have had conversations with the Japanese, and they will admit that. They are going to put their best deal on the table when we have TPA.

But I want to raise another issue. One of the biggest issues we are going to face in Louisiana is the lack of workforce to handle all these jobs with the new investment related to trade and energy. And I am very concerned about the rigidity in the labor market that we have in the United States. We are going to be robbing Peter to pay Paul



within our State and along the immediate Gulf Coast. And we have high unemployment up in the Midwest and other areas.

What can we do, what can this committee do to deal with this rigidity in the labor market?

Mr. Holtz-Eakin. I think you really have a limited number of tools in terms of geographic mobility, something which has diminished in the United States. There are certainly a lot of State-level policies, not in your jurisdiction, that I would urge the State-level Governors to look at. I mean, there is a lot of licensing and the like, certification, that just absolutely interferes with labor market mobility. I think it is quite excessive in the U.S.

Those are some things. And then you have the social safety net. You want people to work, you don't want people tied out of the labor force because of the social safety net. So, as I said, everything work-related in that regard would help.

Mr. Boustany. Thank you.

Chairman Ryan. Thank you.

Time for the gentleman has expired.

Mr. Blumenauer is recognized.

Mr. Blumenauer. Thank you, Mr. Chairman.

And I welcome your words and the spirit with which they were offered. And this hearing, I think, was an interesting and thought-provoking panel to get us going. The issues that we have referenced, in terms of tax, trade, and health care, are somewhat complex and controversial, but I think they absolutely need to be on the agenda.

But I would argue that there may be something that the panel did not address that is tied to this that actually can have an opportunity to bring people together. I am thinking the next hearing might well have the president of the AFL-CIO, the president of the U.S. Chamber of Commerce, the president of the American Trucking Association, the president of civil engineers, environmentalists, truckers, who will unite and say, after 22 years, it might be time for us to raise the gas tax and fund our infrastructure.

President Ronald Reagan, 22 years ago, 23 years ago, in his address for Thanksgiving, made an appeal that when Congress came back he wanted them to more than double the gas tax, because roads were falling apart, because there were hundreds of thousands of people who could be put to work, because it was a user fee that conferred benefits on people who paid it. And, in fact, there were costs that were being incurred at that time because of deteriorating roads. He said it would probably cost the average motorist less than a pair of shock absorbers.

Well, today, we are in a situation, when we talk about productivity, 42 percent of our major urban highways are congested. And the estimates, I think, are not controversial across the political spectrum. It costs us about \$100 billion a year. A third of our roads are in poor or mediocre condition, and it is costing the average motorist over \$300 a year in damage to their vehicles.

The S&P economic report -- we talk about dynamic scoring. Well, I think there is -- regardless of how you are going to use dynamic scoring or not, the evidence is strong that a \$1.2 billion investment in infrastructure is going to put close to 30,000 people to work. And my friend, Mr. Boustany, wouldn't have to worry about whether it is in regions of high unemployment or not. These are jobs that would be available, family-wage jobs, for people across the country -- across the country.

Now, I would respectfully suggest that our committee has a unique responsibility. This title for transportation is Ways and Means. It is not the T&I Committee. This is our jurisdiction. We have not yet had a hearing on this in over two Congresses. We were going to have one. Chairman Camp offered it on the floor, you will remember, but circumstances didn't permit.

I would respectfully suggest that this is an area that there is broad consensus, where we can get local governments, State governments, the private sector, the professions, environmentalists, and, as I say, truckers and AAA to come together and say, "Congress, get off the dime."

When I came to the airport yesterday, the corner gas station was selling gasoline \$1.60 a gallon less than the peak this spring. The average motorist, if we raised the gas tax 15 cents over 3 years, would be paying less than a tenth of what they are already benefiting in terms of reduced gasoline prices. And remember, they are paying over \$300 a year, damage to their cars.

I would think we could have a very healthy discussion with experts across the political spectrum on what we could do. If somebody has a better approach than raising the gas tax, supported by two commissions from the Bush administration, let's hear from them.

Chairman Ryan. Unfortunately, the time for the gentleman has expired to ask his question.

Mr. Blumenauer. Okay.

Don't you think?

Thank you, Mr. Chairman --

Chairman Ryan. You got it.

Mr. Blumenauer. -- for your courtesy.

Chairman Ryan. All right. All right.

Dr. Price is recognized.

Mr. Price. Thank you, Mr. Chairman. And I want to join my colleagues who have congratulated you. I congratulate you on ascending to the chairmanship of the committee, and I look forward to working with you and assisting your efforts.

I want to first talk a little bit about macroeconomic analysis or what my friends call dynamic scoring, which I call "realistic inaccurate scoring."

And I would just note with some amusement that all, except for Mr. Blumenauer, who used his entire time, all of my friends on the other side who asked questions of the panelists, Mr. Johnson and others, all of the questions that they asked were an effort to try to get an assessment of what a policy change would have on the economy. That is called macroeconomic analysis, dynamic scoring. It is what economists do every single day. They provide an assessment of the consequences of the policy decisions that we would make. So I want to welcome my colleagues to embracing the importance of macroeconomic analysis.

I want to just state for the record that we are all very pleased that the economy has begun to become a little more robust. It is also important to remember that this is the slowest recovery of any economic downturn in this country ever -- ever. There is a reason for that, and we as policymakers ought to be asking the question, why is that?

I want to ask Dr. Holtz-Eakin -- and I want to highlight your quote. I think it is important that we as policymakers ask the question, what are the work incentives to any policy endeavor that we undertake? What are the work incentives?

And, to that end, we last week learned that the December jobs numbers resulted in a decrease in the unemployment rate to 5.6 percent. That is a good thing, but it doesn't tell the whole story. The more troubling number was the labor participation rate. At 62.7 percent, the rate is the lowest that it has been in 37 years. You have to go back to the Carter administration to get rates this low.

We also discovered within those job numbers that only 56.6 percent of women are participating in the job market. That number is the lowest it has been in 26 years.

So, Dr. Holtz-Eakin, I wonder if you wouldn't mind opining as to why the labor force participation rates are so slow and maybe provide us with two or three items that we might consider to increase participation in the labor market.

Mr. Holtz-Eakin. So, if you look at the decline, some of it is just demographics. We know that the baby boomers are aging and there are retirement possibilities out there, and so some of the decline in labor force participation comes from that.

Mr. Price. How much would that account for?

Mr. Holtz-Eakin. It is about half of the decline, roughly, of what we have seen.

Of the remainder -- there was about a 2-percentage-point decline, ballpark. About half a percentage point appears to have been sort of traditional, cyclical stuff where people got discouraged, left the labor force, and may return. And then there is another quarter of the phenomenon which is just open to dispute. And will they come back is an important question from the perspectives of monetary policy, because, you know, how tight is the labor market, and when will wage inflation start to push into consumer inflation. It is also important from the point of view of productivity, and, you know, what are we going to have in the way of worker ability going forward.

There, I tend to be in the camp that says they are not coming back. It has only been in the latter half of 2014 that, if you looked at an unemployed person, that the probability they would get a job exceeded the probability they would leave the labor force. And now it is just barely winning the race getting back to the job. If you look at someone who is out of the labor force, they are just not coming back. It is over 90 percent for both men and women. They just stay out.

So I think we have discouraged a chunk of workers in a very big and substantial way. And we ought to reexamine, from start to finish, the kinds of anti-work incentives that are in all of our social safety net programs. Because they have to be relying on the social safety net, to some extent, and we ought to just scrub them.

Mr. Price. Do you want to highlight two or three of those?

Mr. Holtz-Eakin. Well, I mean, we know that a big chunk of this is going to come from single men whose labor force participation has gone down a lot. And the EITC is not particularly beneficial toward that. That is something that ought to be looked at.

Another big decline has been in teens. One of the reasons I am deeply skeptical of the virtues of a minimum-wage increase is that we were raising the minimum wage through the great recession from previous legislation and teen departure from the labor force has been enormous. And that is the starting-out jobs that people rely on to get into the career ladder.

And so, you know, I think we ought to look at, you know, what is going on with the teens, what is going on with the single men. And then, for the workers we have, don't let them leave. Look at the old-age issues.

Chairman Ryan. Thank you.

Mr. Price. Thank you, Chairman.

Chairman Ryan. The time for the gentleman has expired.

Mr. Kind is recognized.

Mr. Kind. Thank you, Mr. Chairman. And I, too, want to congratulate my friend and colleague from Wisconsin for his chairmanship and look forward to working with you and see if we can, as a committee, at least find some common ground on some crucial issues facing our Nation.

Mr. Johnson, you can comment on my preface to the question I am going to give to you, or not. But we are having a hearing today on the state of the economy, where we need to go as a Nation, the type of policies that make sense. But it is difficult in the current environment because it seems as if the parties are on two different planets. We keep talking past each other.

And one of the concerns I have with many of my friends on the other side is -- and most of the Republican economists, quite frankly, that come before us and their testimony or hearings or suggestions is there seems to be a three-note song that they love and repeat over and over again regardless of economic conditions. It is always about tax cuts, especially for the most well-off in our Nation. It is always about spending cuts, including important investments we should be making in the human capital of our Nation. It is always about deregulation, including deregulating the Wall Street banks under Dodd-Frank right now. And it doesn't matter what the economic circumstances are that we face at the time; it is the same three notes over and over and over again.

Now, I am a former quarterback. I had a chance to play at Harvard for a few years in that. But I knew that if a play isn't working you have to change it in the huddle or on the line of scrimmage and call an audible. And it is an inability in order to call an audible, given the economic circumstances that we face, that leads to the gridlock and the head-butting. And it seems to me that it is less data- and fact-driven and more just ideological and philosophically driven.

And that is where there is a problem. Because there is going to be an appropriate time to cut taxes and to increase spending or to raise taxes and reduce spending or to deregulate or to call for more regulations. And it is the ability to distinguish between the two that would turn us into a real partner with the private sector when it comes to economic growth and job creation. And it is that inability that has us tied up into knots.

And you can comment on that, but what I want to ask you about -- and having had a chance to read your testimony here, on page 2, item 9 -- and to get back to an original point you made in your opening statement -- you said, and I quote, "Our economic recovery was made much more difficult by the policies of budget issues, including the lack of consensus regarding the need to support the economy, actual or near government shutdowns and repeated confrontations over the debt ceiling. In particular, threatening to default on our country's national debt creates a great deal of uncertainty in that country. Such uncertainty discourages investment and consumption." You cite the debt-ceiling standoff, the fiscal-cliff standoff, all the uncertainty that it created.

Would you care to expand on that with some recommendations on how we can overcome that in the future to really be a partner with the growth that we need right now?

Mr. Johnson. Well, Congressman, my recommendation is, "Don't do it."

I testified to this committee, I think it was 2 years ago, under Chairman Camp, exactly about these points. And I beseeched all the Members not to engage in this kind of destabilizing confrontation politics where you threaten to default on the debt. That really is crazy, to use a technical term.

To threaten government shutdowns and generate this uncertainty for everyone in and around government contracting, including the workers, again, that is not helpful. You can see -- and this has been measured, and this was in my previous testimony to this committee -- the wave of uncertainty spikes for everyone. And we know that kind of uncertainty discourages investment, discourages consumption, discourages hiring -- all the parts of the recovery that Dr. Price was talking about.

That is what we -- absolutely all Americans must want everyone to get back to work, and then we can sort out how we improve opportunities and improve growth. But if you generate that kind of uncertainty, you will slow down the economy for sure.

Mr. Kind. Now, there has been a lot of focus on tax reform and the impact it is going to have, but, again, if you look at the past data, the facts, you talk to businessowners themselves, I think the impact of tax policy is way overstated and way overplayed because of the multiple factors that businesses and owners have to make every day in regards to hiring decisions, sales, marketing, you name it. There are just many multiple factors in that.

Can you speak upon that in regards to the whole dynamic-scoring issue that we are talking about and how hard it really is to predict the macroeconomic impacts of virtually any of the policies that we have coming out of this place?

Mr. Johnson. Well, first of all, Congressman, I think you are absolutely right, it is multidimensional, the environment for business. And you should look at the available measures, including the one I cited before, these doing-business indicators. We are number seven in those measures. But they look at two cities for the U.S., New York and L.A., and the problems they identify are more about real estate and local regulatory issues, not about the Federal Government.

So I think benchmarking what business absolutely and actually needs makes sense. And I think you are going to see a range of things, including the availability of skilled labor. That is very important.

Mr. Kind. It is also interesting, the last major tax reform in 1986 resulted in one of the largest corporate tax increases in our Nation's history at the time. And that was under President Reagan's administration.

Chairman Ryan. Thank you.

Time for the gentleman has expired.

Mr. Buchanan is recognized.

Mr. Buchanan. Thank you, Mr. Chairman. And I agree that this committee has got a real opportunity to work together and get some big things done right now.

I want to touch quickly on the discussion earlier one of my colleagues brought up about corporate rates, the highest in the world. I happened to have the opportunity in the late 1980s to be in Hong Kong -- flat rate, no deductions, or minimal deductions, was 20 percent. I was back there a couple, 3 years ago. They lowered it to 16. I asked them why. I said, 20 is more than fair, it seems to me. And he said, we need to be competitive in the world.

So I think we agree that we need to do something with corporate rates. My concern is passthrough entities. You have touched on it a little bit. The effective rate in the country, when you add everything, is 44. If you add in State income tax for a lot of these States, the average is, what I read, is 49.6. So if you look to move corporate rates from 35 to 28 to 25, whatever they are thinking about doing there, I don't know how you can be competitive, a lot of businesses with C corps, in terms of passthroughs.

One statistic I got is 99 percent of the companies registered, Florida and other places, are -- take 95, 99 -- are small businesses. A lot of them are, obviously, passthrough. Sixty percent of the job creation comes through these businesses and many of these startups.

And I would also say, in terms of reducing the rate, if you are a passthrough entity and you happen to have 70 employees and you are giving half of your money back to the various governments, it is pretty hard to be able to grow your business, add equipment, grow jobs when you are giving of it half away.

My point, I guess, to the professors here today is your thoughts in terms of, if we lowered the rates in terms of passthroughs as well as C corps, what difference would that make in terms of growing the economy and creating jobs?

And, Professor Holtz-Eakin, would you expand on that?

Mr. Holtz-Eakin. I think Dr. Feldstein mentioned earlier, you know, it is a bad tax policy that treats the same business activity differently depending on whether it is a passthrough or a C corporation. And that would drive you to organize your business on the basis of tax considerations, not on the basis of business decisions. That is the hallmark of the tax interfering with the efficiency in the economy.

In the work I have done on sole proprietorships, partnerships, entrepreneurial kinds of ventures, relatively small, they are disproportionately sensitive to tax considerations. They are heavily reliant on their cash flow, in many cases, and so lowering taxes gives them greater cash flow. They can, as a result, invest more, hire more. And so you see strong linkages between tax policy toward those entities and their capacity to grow, expand payrolls, invest.

I would be happy to get the research and citations to you, but they look much more sensitive on that front than do the larger C corps in terms of just pure rate sensitivity.

Mr. Buchanan. Yeah. My sense, as someone who has been in business 30 years, you just see a lot of people moving from passthroughs, S corps, and partnerships and moving back to C corps.

Mr. Feldstein, what are your thoughts? I know you touched on it, but could you add anything more to that conversation?

Mr. Feldstein. Well, but as you said, it is an option that companies have. So they can always go back to the C corp if that offers lower overall effective tax rates. And the reason that most corporations, small corporations prefer to be an S corp or some other form of passthrough is they avoid the second round of taxation on distribution of their corporate profits.

So I think it is a complicated issue. There isn't any simple solution to how you integrate the two. But I think the basic principle ought to be to take taxes out of the choice between whether you are an S corp or a C corp.

Mr. Buchanan. Thank you.

I just would add that I remember, in the late 1970s, early 1980s, we were all C corps. Then we went to S corps. Then we went to LLCs. And now we could come full circle and go back to C corps. But I think it would really hurt businesses, especially small businesses and startups, if we don't address C corps as well as all the passthroughs as well.

Thank you. I yield back.

Chairman Ryan. Thank you.

Mr. Pascrell?

Mr. Pascrell. Thank you, Mr. Chairman. And good luck.

Mr. Chairman, what I have noticed --

Chairman Ryan. That means a lot coming from you. Thank you.



Mr. Pascrell. You are welcome.

Mr. Chairman, I have noticed that we have lowered the decibels but we are still in ironclad position here and there. It is going to take a lot more than talk to get us out of the logjam.

And just one example. I hear from your side all the time about discussing and debating the business tax extenders. I hear nothing about personal tax extenders. And I think that it has become quite obvious, if we are going to come to any agreements, that there need to be both in consideration. And I ask that you do that.

And I sincerely wish you the best of luck. You are going to need it.

The questions at hand, I think -- and one I would like to ask Mr. Johnson on trade.

You wrote an article in 2013 about what we needed to avoid in trade deals which look lovely from the outside. You talked about trade expanding unfairly at times, without a level playing field that protects our workers who benefit from free trade.

Is it the workers in the factories or is it the shareholders and executives at the top that you are talking about?

Mr. Johnson. Well, Congressman, as you know and as we have been discussing all morning, most of the gains in terms of income have been realized at the top of the income distribution over the past 30 years. And much of that is for management and for CEOs, although, obviously, highly skilled labor has also done well.

And I think this is the important point about TPP, which is really, as I understand it, an issue before this committee, which is: Do you want to engage with the details?

For example, on the auto industry, a point Mr. Levin has made, Japan has had a very closed market for cars and for auto parts for a long time. Are they really offering to open that up to U.S. exports? That would seem like an appealing opportunity. To what extent are they going to be held responsible for that?

This is a link you can draw to jobs but only if you get into the details. If you grant TPA, you get the fast track, you are not going to be engaged in that discussion.

I think I have heard committee members say they want to think about all of these pieces and how they can be helpful. Engage with TPP, not with the TPA, not at this stage. You don't need the TPA. Engage with the TPP. That is the way to have the conversation.

Mr. Pascrell. Mr. Feldstein, back in April 2009, you wrote a column for the Financial Times with the headline, "Inflation Is Looming on America's Horizon." I think maybe you can recall that. In the almost 6 years since you wrote that piece, inflation has been

consistently below the Federal Reserve's 2 percent target while the unemployment rate continued to be elevated, causing real-world pain and hardship for a lot of Americans.

Recently, with the economy improving, thanks largely to some specific policies that were passed between 2006 and 2010, the unemployment rate has been dropping, but we are still a long way away from a healthy economy. We all agree on that.

Yet, despite your previous predictions of inflation, you have continued to call for the Federal Reserve to act aggressively -- your word -- despite the fact that our recovery is nowhere near complete and there are few signs that inflation will soon hit or even exceed the Federal Reserve's target.

Mr. Pascrell. Why do you think your prediction in April of 2009 did not materialize?

Mr. Feldstein. Thank you for that question.

I think, basically, Federal Reserve policy changed after that. We got the so-called unconventional monetary policy where the Fed, because they were authorized to pay interest on excess reserves, induced the commercial banks to deposit the extra funds that they got from the quantitative easing policy to deposit that back at the Federal Reserve. So we never saw the increase in the money supply that looked like it was going to happen back in 2009.

So I think the Fed handled this very well. And, ultimately, as I said earlier in my comment, I think it was the Fed policy that gave us the strong recovery rather than fiscal policies in 2009 and 2010.

Mr. Pascrell. Thank you.

Yield back.

Chairman Ryan. Time for the gentleman has expired.

Mr. Paulsen is recognized.

Mr. Paulsen. Thank you, Mr. Chairman. And thanks for calling this hearing. I think it is aptly titled, Moving America Forward, with a new Congress, in particular.

And the recent improvements we have seen in the economy is certainly welcome news, but it is certainly also drowned out by knowing, as has been stated by several Members already, the worst economic recovery since the Great Depression. The slowest economic recovery ever.

We can't even get to an average. I mean, an average is a C grade. We should be able to at least get a C grade. And when wages are flat and household incomes are flat, people are taking notice.

And I think the numbers that were -- began with Mr. Holtz-Eakin. You started out with saying the standard of living that Americans have enjoyed and appreciated, normally that is doubling every 32 years or so, and now it is going to double every 90 years.

So you have added 60 years onto the standard of living for an American family. And it is probably no surprise, then, that a lot of folks in our country think this is the new normal. I think the public is accepting it. Unfortunately, many elected officials are accepting it. And we can do a lot better.

And when you see that 72 percent of Americans just a few weeks ago think the economy is still in recession when we have been out of recession for 5 1/2 years, actually, is pretty alarming.

But I think what is most troubling is that two-thirds of Americans, if you ask them, you know, "Are your children going to better off than you are?" -- two-thirds of Americans say, "No." I mean, they don't see a bright horizon.

And we know that the policies we have an opportunity to have an impact on in a new Congress now can make a difference in tax policy, fixing a broken tax code -- we talked about that -- trade policy, knowing 750,000 jobs in my state of Minnesota are tied to trade.

We have got huge opportunities with the transportation partnership, with the European Trade Agreement. Obviously, getting Trade Promotional Authority is key to that, though, if we are going to get the best deal on the table. I mean, there is no doubt about that.

But, also, I want to talk about regulation. Maybe, Mr. Holtz-Eakin, you can just mention real quick: Is it possible to measure how much expansion of regulations in recent years are costing our workers, is costing the economy in slower growth? And, if so, how much, if you can measure that?

Mr. Holtz-Eakin. Well, thank you for the question.

As I hope you know, at the American Action Forum, we have an ongoing attempt to measure the regulatory burden in the United States where what is called the Regulation Rodeo Database tracks all regulations coming out of every agency in the Federal Government and looks at a couple different measures of their burden, all of which are incomplete, but it gives you some sense.

First is the self-reported compliance cost. Agencies say, "How long -- how much will this cost to comply with?", and we can total up those compliance costs.

There is the paperwork burden, you know, how many hours. And in my written testimony, there is some measure of the paperwork burden hours from different

regulations in the Affordable Care Act, for example. You can look at that comprehensively.

And I would be happy to get you the totals. But if you look at 2014, for example, you know, final regulation added just in terms of compliance costs about \$20 billion in 2014 alone. If you think about doing that every year, that is a \$200 billion tax increase.

And if this committee was debating a \$200 billion tax increase, we would have a strong discussion about whether it was economically desirable, what would be the growth impacts, you know, how did we want to think about that.

That debate doesn't go on in the regulatory front. And I think, if you look back over the past 6 years, it has been an extraordinary period for regulation, and these costs display that.

The only comparable period in my recent memory was post-September 11th, 2001, when the Bush Administration did a lot of national security anti-terrorism regulation, which was comparably costly. These are -- these are big impacts on the economy, and I think they merit consideration. I would be happy to get you the numbers.

Mr. Paulsen. Yeah.

And, Mr. Chairman, I know we will be looking at that in the coming months.

Let me ask one other question. Because I know -- in the 1990s, I understand that we were successful as a country in boosting the labor force participation rate, increasing take-home pay and reducing poverty, all which has gone the opposite direction right now in these last 6 years currently through welfare reforms.

Could another round of welfare reform do the same? Could it improve those numbers? Can we do more on welfare reform? Should we be looking at that? And what are some ideas? Mr. Holtz-Eakin.

Mr. Holtz-Eakin. As I said, I think we need to look at the work incentives. The 1990s have lessons for the U.S. and, also, some things that are different.

The economy grew and -- and there is no substitute for rapid economic growth. And improving the long-term growth rate of this economy is, I think, the number one priority that makes the welfare reform of the 1990s easier to both enact and for those participants to be successful. So you want it in that kind of environment, and I think we should try to do that again.

I don't think you want to replicate the dot-com bubble, which led to an enormous inflow of revenues, making it easier to balance the budget. You want to do it the old-fashioned way and not rely on a bubble that then breaks in 2001.

And the kinds of spending restraints that were successful in the 1990s are no longer available. That was an era where discretionary spending and a peace dividend got us to a balanced budget.

The spending problem now is in the mandatory programs. The discretionary part has been done. And so now the hard work remains. This is a different world.

Mr. Paulsen. Thank you, Mr. Chairman.

Chairman Ryan. Thank you.

Mr. Davis is recognized.

Mr. Davis. Thank you very much, Mr. Chairman. And I thank you for calling this hearing.

And I certainly thank our witnesses for participating.

I also want to add my congratulations to you, my friend from the Midwest, for your ascendancy to the chairmanship of this tremendous committee.

You know, I was having dinner with two of my grandsons the other day, and I asked them if they would pass me the glass of water.

One said, "Granddad, do you mean the water that -- the glass that is half empty?" The other one said, "Or do you mean the one that is half full?" And, of course, there was only one glass. They both saw the same glass, but they saw it differently.

And like all of the Members of this committee, I am indeed pleased that our economy has made tremendous progress in the last several years. More people are working. Unemployment numbers are down. The economy is moving forward. And so there is reason for what I call joy, but not jubilation.

Not jubilation because there are still too many people being left behind, too many people being unemployed or underemployed. People who even during this frigid climate throughout many areas of the country do not have heat in their homes, and others do not have homes to heat nor jobs for which to apply.

Dr. Johnson, could you share what you would recommend in terms of policies that could keep our economy moving forward and could reach back and include in it some of those millions of people who are being left behind.

Mr. Johnson. So, Congressman, I think that is the right way to think about the issue. And in section -- second section of my testimony, I did try to lay out a range of ideas there.

I think there are some very specific measures this committee could take up. Extending, expanding, the earned income tax credit, for example. Raising the minimum wage, which is not entirely within your jurisdiction, but certainly highly relevant to it. Support for education. Support for education that is available -- early childhood education and post-high school education for low-income people, the Pell Grants, for example.

I think there is a long list of specifics. And I think, if you are looking at the tax code and you are considering tax reform, it is very important to do that in a way that is revenue neutral so you keep the revenue in the budget. We have an aging population. We have continuing pressures from technology, from globalization.

The Affordable Care Act has so far done a remarkable job in terms of slowing down healthcare inflation. But this is an aging population. We need to have the revenue there. We need to have the revenue base. And all of the proposals I have heard so far are cutting taxes and giving away revenue. Nobody likes taxes. But who has the responsibility here?

Mr. Davis. Thank you.

And let me just ask if each one of the witnesses would reply to this comment: The United States has the highest share of income going to the top 1 percent of earners compared to the other G7 countries.

Does this policy -- and the trend seems to be continuing to go. Does this seemingly help expand our economy? Does it have any impact on it? Is it intended to? Or what would your response just simply be?

Mr. Holtz-Eakin. It is a reflection of the global trends and the return to skills, and it is not unique to our economy. It has been going on since the 1980s. We have seen the top rising continually. We saw the bottom fall. It stopped.

And I would point out that all of the evidence done at a big Harvard study on the mobility, the ability to get from the bottom to the middle and the middle to the top and top to the middle -- that is part of mobility, too -- says that mobility is unchanged over the past 50 years.

So, for me, in reading that evidence, that says people still have a chance to get ahead in America. The rich can be rich in America. But we are not growing fast enough that we are happy with what is going on at the bottom.

So I would focus on anti-poverty, on the ability to have the low levels of income be better in the future than they are at the present, that that gives people hope. That is the focus, the bottom and the poverty, not the top end.

Mr. Johnson of Texas. [Presiding.] Thank you. The time of the gentleman has expired.

Mr. Marchant, you are recognized.

Mr. Marchant. Thank you, Mr. Chairman.

I would like to ask the panel some questions about the recent phenomena that has taken place in Texas and North Dakota in the oil patch.

I think it is arguable that, over the last 5 years at least, the exploration, discovery, transmission of oil and gas in the United States has been a major factor in the economy picking up and probably the most robust part of the economy.

And now that we have seen a significant price decrease in oil and we are seeing in my -- I drive every week to the ranch on the weekend, and I gauge how -- what prices are by a certain gas station on the highway. And it was 1.64 for regular gas this weekend.

And my question is: Do the gains to the consumers and the lower cost to all businesses across the spectrum and their fuel costs offset the loss of economy that has been created by the boom in the oil patch over the last 5 years? And if we reach some stabilized level of oil prices at a significant lower amount, is this going to have any kind of long-term effect on the economy?

And I would like each of your opinion.

Mr. Feldstein. Well, I think the decline in oil prices that we have experienced recently has been a very big plus for the U.S. economy. I think that is a view shared by the Federal Reserve and others, that we are going to see stronger growth because consumers' real incomes have gone up.

Now, in part, we benefit at the cost of other countries that -- from which we import oil. Most of it is internal. And, therefore, oil companies -- U.S. oil companies are taking a hit at the same time that consumers are directly better off.

But there is no question that the combination leads to stronger growth, higher real incomes, more consumer spending, better job creation in the near term.

Mr. Holtz-Eakin. The energy explosion the U.S. has had a dramatic impact on the economy over the past 5, 6 years. And I have never seen anyone do a full accounting of sort of what the stimulus was from the decline in that imports was important.

The ability of chemical manufacturers to move back to the United States because of the cost of natural gas and other feedstocks, very important impacts. The direct employment effects in the oil patch, things like the income generated.

But certainly it changed what used to be a world in which oil prices up, unambiguously bad for the United States, oil prices down, unambiguously good for the United States, to a more nuanced position.

I still think that the bottom line is what Dr. Feldstein said. On a balance, we benefit from having these lower oil prices. But I think, if you look forward, some of the weakness right now is just global weakness. And as other economies grow more rapidly, we will see world oil prices go back up.

They appear to be headed to stabilize in a range that will allow for profitable exploration and extraction in the United States. So I don't see any real long-term problem at the moment.

I would not be surprised if we saw a downturn a bit in the oil patch because of the transitorily low world oil prices.

But I think, on balance, this is a good thing for the United States and it has made this a very different world for -- from the perspective energy policies.

Mr. Marchant. Thank you.

Mr. Johnson. Congressman, on balance, I agree it is good. But I would stress two things.

First of all, oil prices go up and they go down. You need an economy with a flexibility on the investment side. And there is a remarkable amount of technological innovation that we have seen through these investments in the past few years.

And, secondly, on job mobility. So one thing the Affordable Care Act did that you may or may not like is it reduced job lock. It reduced the previous tendency of people to stick with a certain job or to stick with an employer even if there were good opportunities elsewhere because they didn't want to give up on the health care.

Whatever you do, please do not return us to a situation where we have greater job lock because we need to be able to move people and capital to these new opportunities. And right now we are pretty good at it, better than we were.

Mr. Holtz-Eakin. Just add one thing.

Oil and natural gas aren't identical in that most of the production out of a gas well is in the first year. And so, if you see gas prices go down, you will see a bigger drop-off in exploration. They can ramp it up quickly as well.

It is the oil producers who sort of have to drill a well and count on getting sustained relatively high prices to make it worthwhile. They are the tougher call in this environment.

Mr. Marchant. Yield back.

Mr. Johnson of Texas. Thank you. The time of the gentleman has expired.



Ms. Black, you are recognized.

Mrs. Black. Thank you, Mr. Chairman.

And just in the absence of our chairman, I want to congratulate him as well. So everybody can tell him that I did so, since all the Members have up to this point.

I want to go to the issue of capital. There was a very interesting talk that the chairman and the founder of FedEx gave to the U.S. Chamber a couple years ago.

And I was really struck by what he said there, and it was so simple. And maybe because I am such a simple-minded person and not an economist, as you all are, it made so much sense to me.

And we have talked about how do we have sustained economic growth, how do we have good-paying jobs. And he said in his talk it is about capital and, if you don't have an influx in capital, you are not going to create a job, you are not going to create a business which creates a job and, by that, there are taxes that are paid only to the product or the service that is produced as well as the income of those workers.

And so, as we look at capital and how we are seeing that the influx of capital is not occurring, I want you, Mr. Holtz-Eakin, to start us out with just the thoughts on what is it that keeps someone who would essentially be putting capital into the market because they would see a return -- what is it that keeps us from seeing that influx of capital right now? Is it taxes? Is it regulation? Is it the issue of trade? Or is it all of those things combined?

Mr. Holtz-Eakin. I think you get impacts from all those things, quite frankly. If you look at the things that the Government can do to affect the incentives to save and invest, at the very highest level, the Federal budget is very anti-growth.

Basically, it taxes both consumption and the return to capital and uses it largely to subsidize consumption. Right? We give people health care. We give people subsidies because we want them to live better. That is consumption.

So, as a Nation, it is anti-saving, anti-investment, anti-accumulation of capital. It runs deficits and competes with the private sector for that capital.

Within the budgetary framework, the large spending programs, which are all about consumption and largely old-age consumption, are crowding out any genuine investments in research, infrastructure, and education that the Federal Government makes. So we have a budget that is very anti-accumulation of capital and anti-saving investment.

The tax code can be the very same way. One of the reasons I am a big fan of the kind of tax code that Mr. Nunes is pushing is it allows for rapid capital recovery. It is essentially

expensing of all capital investments. It is a powerful incentive and something that we need to get into the tax code as much as possible, and it treats all capital the same.

You hire a worker and you educate him, you get to expense it. You buy a piece of machinery, you expense it. You put a worker in a lab for R&D, you are expensing it. You treat all the capital the same. That is a good thing to do.

And then, at this household saving, we don't save very much. I think Dr. Feldstein has done more research on this than almost anybody.

It is tax rules. It is the rules for higher education finance and why would you save for college education when the rules say we are not going to give any scholarships to you if you do. What about saving for retirement? What happens with Social Security and Medicare and the incentives to save?

All of those things are important, but all of it comes back to are we going to save and are we going to invest. And we have got to look at those things.

Mrs. Black. And, Mr. Holtz-Eakin, you keep talking about incentives, as all of you have. I think that is one of the things that we ought to be thinking about in this committee, is every time we think about a policy, we have to think about is it incentivizing what we want.

And, unfortunately, I think, as you have already indicated, that -- there are many policies that we have that are not incentivizing what we want. And that is what I hope that we will continue to do as we talk about policies in this committee, is to be able to tie that --

Mr. Feldstein, would you like to weigh in on this issue of capital?

Mr. Feldstein. Well, the key is saving. If we don't save, we don't have capital. So the household saving rate is half -- or closer to a third of what it was from 1960 to 1985. We did very well during those years.

And, yet, now our saving rate is very low. And why? Partly because of the incentives to dis-save through mortgage deductions, partly because of other policies which substitute for saving.

So we really should be examining what kind of policies we have that drive savings down for American households.

Mrs. Black. Mr. Johnson, I have 30 seconds left, if you would like to weigh in from your perspective.

Mr. Johnson. Ms. Black, I would say, when we discuss capital, please don't forget human capital, because one thing we have learned from 200 years of experience is that the

prosperity of any country depends, first and foremost, on the education, on the skills, on the health of its citizens, its inhabitants, everyone.

And please, when you are considering what the Federal Government does and doesn't do, remember social insurance was introduced to protect people, to encourage them to take risks, to encourage them to build the country, particularly after World War II, and it was great success. Please do not give that up.

Mrs. Black. I know -- reclaiming my time -- I know I am out of time -- but remembering that it is the private sector that really helps to grow the economy that makes all these great things possible.

Yield back.

Mr. Johnson of Texas. Thank you, Ms. Black.

Mr. Reed, you are recognized.

Mr. Reed. Thank you, Mr. Johnson.

And thank you, Mr. Chairman, for holding this hearing today.

Fascinating conversation. And we have covered a lot of territory. And I am not going to rehash that area, but also just say there is huge opportunities I see not only in the energy field, but in U.S. manufacturing in particular.

But I do want to focus on one thing that the chairman said in his introductory remarks about the country's debt crisis and the debt crisis that potentially is that dark cloud that hangs over us.

Now, Mr. Johnson, I read your testimony and you referenced the fact that we should not threaten the ability of the U.S. to pay its debt or the threat of not paying its debt causes some real destabilizing impacts, and I think you were referring to the debt ceiling debacles and fights that we have had here in Congress.

But would you all agree, as economists, that there is a point in time with our debt load in America when it is just not going to be sustainable if we continue on the path that we are on?

I mean, we are championing the fact that we have lowered the deficit per year. Great. I am all in. I appreciate that. But it is not getting to the root problem. Our national debt continues to grow.

At what point in time -- because you have got two pieces of debt, principal and interest. So at what point in time does the principal become unsustainable? Eighteen

trillion is where we are at today. At what point in time can you continue policy from the Federal Reserve that keeps an interest rate at zero?

As an economist, I can't imagine any of you would agree that is possible. I mean, as a non-economist, I would say that is impossible. So we are going to have an interest rate issue. At some point in time, inflation will come back.

Does anyone on this panel think that we have tamed inflation and it will never be an issue to face America in the future, as economists? Correct?

Everybody agrees that it is out there.

So if you raise interest rates, at what interest rate does it become unsustainable? Can anybody give me any numbers? Maybe Mr. Feldstein.

Mr. Feldstein. Well, the Congressional Budget Office reminds us that interest rates, if we don't have an increase in inflation, will rise to 4, 4 1/2 percent.

And given the size of our debt, that is going to be a very substantial increase in our annual deficits and, therefore, in the growth of the debt.

So that is why the CBO tells us that, if there aren't changes in entitlement programs or in revenue or some combination of the two, we are heading from a debt-to-GDP ratio of 75 percent, we are heading to 100 plus, and that gets us into serious trouble.

And we have to remember that about more than half of that debt is held by people outside the United States. At some point, they may say, "Gee. This isn't such a good idea." And if that happens, interest rates rise even further.

So I think it is really important for this committee and this Congress to find ways to slow the growth of spending and to use tax reform, limiting tax expenditures, to raise revenue.

Mr. Reed. Mr. Holtz-Eakin?

Mr. Holtz-Eakin. I would just add to that, if -- this is not years and years and years and years in the future. This is relatively imminent. Over the next 10 years, the CBO baseline, autopilot, says that the debt-to-GDP ratio starts to rise and that, when you get 10 years from now, we are running a trillion-dollar deficit, roughly 800 billion of which will be interest on previous borrowing.

So we are perilously close to borrowing simply to pay previous interest. That is a debt spiral, and that is not a good thing.

Mr. Reed. And that is where I wholeheartedly agree with you. Because doesn't that put the whole thing at risk, all of our concern that we share? Mr. Johnson?

Mr. Johnson. Yes.

Mr. Reed. And my colleagues on the other side of the aisle, I don't question that they care for American lives. I care for American lives.

And if we get into the death spiral, don't you jeopardize it all? And shouldn't we, as responsible legislators, do the right thing, have the vision to deal with it now rather than later?

Mr. Johnson. Yes, Mr. Reed. And there are three implications that I hope we can also agree on.

First, don't give up on Dodd-Frank. The big hit to our debt came from the financial crisis. It came from the deep recession. Do not allow the financial sector to do that again. That is Job No. 1, absolutely.

Second, be revenue neutral. Do not give up on the revenue. We need to keep a robust revenue base as the population ages.

And, third, you have got to control healthcare costs. It is mandatory. That is -- what Mr. Holtz-Eakin said is right. It is health care. It is health care, not just Medicare. It is health care. The Affordable Care Act has tilted the curve on that. We will see if they can keep at it. Please don't give up on that either.

Mr. Reed. But the costs keep going up in health care. It just the growth rate has gone --

Mr. Johnson. Yes. It is demographics and it is technology we have to take into account.

Mr. Reed. Reclaiming my time, reclaiming my time, I think we all can agree that we have to do something on the debt issue.

And, with that, I yield back.

Mr. Johnson of Texas. The gentleman's time has expired.

Mr. Thompson, you are --

Mr. Thompson. Thank you, Mr. Johnson.

And my congratulations to Chairman Ryan as well.

A number of the witnesses talked about tax expenditures, and there were some questions about that already today.

Just yes or no. Should tax expenditures be revenue neutral? And we will start with Mr. Feldstein.

Mr. Feldstein. I think tax expenditure reform changes limits on tax expenditures.

Mr. Thompson. Should they be revenue neutral?

Mr. Feldstein. No.

Mr. Thompson. No? Okay.

Mr. Feldstein. I think they should both raise revenue and be used to lower tax rates.

Mr. Thompson. Thank you.

Mr. Holtz-Eakin. I would have them be revenue neutral.

Mr. Thompson. Mr. Johnson?

Mr. Johnson. Well, I think the entire package of tax reform should be revenue neutral. But if you are considering -- but I think you have to also recognize this point about the trajectory of healthcare costs going forward.

You need a revenue base that is going to grow to support whatever forms of health care you think the government should and will be buying.

Mr. Thompson. Thank you.

A number of folks mentioned the fact that our recovery, notwithstanding the fact that it is pretty remarkable, has taken too long.

I just think it is important to point out that, under the last administration, our economy wasn't just run into the ditch, it was run over the cliff. We had a long way to go to climb out.

And I think it has been mentioned a couple of times -- and I just want to reiterate it -- that there was some impediments in us getting out of that -- getting up from out of that cliff. Government shutdowns certainly didn't help. Near defaults certainly didn't help. And a repeated debt ceiling crisis certainly didn't help.

So given where we were and where we are today, it has been a pretty remarkable recovery. I don't think anybody thinks this is where we need to stay. We need to keep going. But we have done quite a bit, and it is fairly impressive.

And, Mr. Johnson, I would like to hear from you. To what do you attribute our growth in the economy and the progress that we have made?

Mr. Johnson. Well, Congressman, the recovery is due, in part, to the fact that it is a strong, vibrant Nation. More than 300 million people took an enormous punch in the

face from what happened in the financial sector and managed to get themselves back off the floor. So I think the resiliency of the American people is really important.

They needed assistance. The Central Bank absolutely assisted, and I think they should get kudos for what they did. And they needed help from fiscal policy. This is standard. It is out of the textbook.

And my colleagues here have in other circumstances spoken in favor or said positive things about stimulus of some kind when the economy goes down in the face of that shot.

So the disappointment, to me, Mr. Thompson, is that we didn't all work together. It is, I think, rather sad and unfortunate and had a negative consequence that slowed the recovery that we had so much confrontation over fiscal policy when, in fact, there was just massive grounds for agreement under those circumstances.

Mr. Thompson. Thank you.

I also want to pick up where Mr. Blumenauer left off. He made quite a statement on infrastructure and the need for infrastructure. He didn't get to his question.

But I agree that it is the most direct and the most immediate way to help our economy. There is not one of us on this dais or any of our colleagues in Congress whose districts wouldn't benefit greatly by an adequate level of investment in infrastructure.

And I know, Mr. Johnson, you started to say something about the infrastructure, and I would like to hear your thoughts on how that would benefit our economy.

Mr. Johnson. Yes. Well, I think it was Mr. Blumenauer who was making the point about the gas tax and the need for investment in roads.

I was going to suggest you should consider investment in transportation more broadly. So it is not just necessarily about the roads. It is about how people move to and from work and around the country.

And that is not just in the car --

Mr. Thompson. And infrastructure is not, nor should it be, limited to just roads. It is roads.

Mr. Johnson. Yes.

Mr. Thompson. It is bridges. It is transportation. It is broadband --

Mr. Johnson. And it is addressing -- it is absolutely broadband. It is addressing congestion, Mr. Thompson. So if sometimes -- in some situations, if you just add capacity to the roads, more people drive.

In those parts of the country, it makes sense to add alternatives to cars and to invest in that and to use revenue sources, such as gasoline tax, if you were going to consider increasing it, to invest in transportation infrastructure.

Mr. Thompson. And then, while we are on that, what -- Mr. Johnson, what impact do cuts and our inadequate investments in infrastructure, education, energy have on job creation in our economy?

Mr. Johnson. I think, if you look in comparative perspective, look to -- look relative to the countries with which we compete in Europe or in Asia, including people who are already prosperous, and countries that are up and coming where we -- our companies, our private sector, absolutely needs a supportive environment from the United States.

One of the things that I hear a lot from entrepreneurs when I talk with them is the weakness of our infrastructure. Airports, for example. The lack of investment in some of our major airports is a big issue for our business people who are traveling back and forth competing in these international markets.

Mr. Thompson. Thank you very much. My time has expired.

Mr. Johnson of Texas. Thank you. The time of the gentleman has expired.

Mr. Young, you are recognized.

Mr. Young. Well, thank you, Mr. Chairman.

I, too, want to join my colleagues in offering my congratulations to Chairman Ryan for his ascension to this position.

I want to thank all of you, our panelists, for being here today for this freewheeling conversation.

I would like to talk about tax reform, something that has been brought up a number of times today, but specifically focusing on tax reform for our smaller businesses, our younger firms.

Last Congress we put together a draft, a so-called Camp draft, under former Chairman Camp's leadership, and analysis indicated that, were that draft implemented, albeit imperfect and requiring further iteration and elaboration, hopefully this Congress, we would increase the rate of GDP in this country, increasing GDP by up to \$3.4 trillion and increasing employment by 1.8 million jobs.



I do have concerns, however, back to the small and the younger firms, about some intimation by the President and by others in this town that we may only consider corporate reform as opposed to reforming the individual code so that those pass-through entities like S corporations and LLCs get the benefit of simplification, on one hand, and on marginal rate reduction, knowing that many of them pay over half of their profits in taxes when you combine the taxes at different levels of government.

It bears reminding perhaps not you, but many of our constituents, that over the last decade more than six out of ten new jobs created in this country have been through these smaller firms and this is where over half of jobs currently exist in this country.

So, really, my question for all of you is: Do you agree, and I will start with Dr. Holtz-Eakin -- do you agree that we should be focusing on reforming not just the corporate code, but also taking a look at the individual code? And what would be the broader economic implications of only focusing on corporate as opposed to focusing on the entire Internal Revenue code?

Mr. Holtz-Eakin. Well, if you focus on corporate only, you limit your ability to improve the taxation of business income and incentives for hiring, investment, expansion. There is no doubt about that.

I think everyone who wants to broaden bases, lower rates, and improve the quality of the tax policy in the United States would do both individual and corporate simultaneously for the reasons we discussed earlier, that you want to make sure the pass-throughs are treated in a sensible fashion.

There are some particularly vexing issues in the -- in the tax treatment of business income and investment income in the individual code right now, not the least of which is we now have three different tax codes: the ordinary income tax, the alternative minimum tax, and the new net investment surtax with a different definition of net investment that doesn't exist anywhere.

And so, as a top priority, simplification of the tax code so that there is one set of tax rules that is permanent would help especially the smaller guys trying to deal with the business as a pass-through in a big way.

And then we have back -- done a lot of backsliding from the 1980s when we got marginal rates down much lower. And the biggest obstacle to doing comprehensive reform, individual plus corporate, is the unwillingness of some to contemplate lower top marginal tax rates. It was done in the 1986 reform. It was very successful. And it has been unwound in the years since.

Mr. Young. Mr. Feldstein, if you could offer me, say, 30 to 45 seconds of your perspective.

Mr. Feldstein. 28 percent. That was the rate that we had after the 1986 tax reform. It is now up in the 40s. So that is a very big difference for anybody who is contemplating a small business or expanding a small business.

Mr. Young. Mr. Johnson.

Mr. Johnson. Mr. Young, don't forget, in 1986, there was an equalization of tax rates on labor income and capital income.

And that is a principle that I think we should go back to because what you get is -- if you are considering the distortions and the disincentives and if you are considering comprehensive tax reform -- and I think you should think comprehensively and you should think comprehensively on a revenue neutral -- I would say revenue-building basis, given the challenges that the country faces -- the differential taxation between labor income and capital income introduces a lot of distortions. And I think you should go back to it -- on that point to the principles of 1986.

Mr. Young. And in my remaining time, Dr. Feldstein, should we coordinate reform between -- as we reform the tax system, should we also consider coordinating those reforms with reform of the welfare system in this country?

Mr. Feldstein. Well, the welfare system, as previous comments have brought out, have become a disincentive for working for lower-income people, and we really ought to be looking at what food stamps, for example, has done to the incentive, particularly for second earners.

Mr. Young. Are there provisions of the code, however, that we ought to consider taking a look at with respect to this matter that --

Mr. Feldstein. Yes.

Mr. Young. -- would help individual persons?

And what might they might be?

Mr. Feldstein. Well, I wouldn't draw the distinction between the tax code and the safety net provisions.

But almost 50 million individuals are now receiving food stamps, and that creates very serious incentives for second earners. It creates a very high effective marginal tax rate for that group.

Mr. Young. Right. You pull away the benefits. Thank you.

I yield back.

Mr. Johnson of Texas. The gentleman's time has expired.

Mr. Kelly, you are recognized.

Mr. Kelly. Thank you, chairman.

And thank you all for being here.

One of the things that has bothered me since I got here -- I am from the private sector, and I have never understood how you can continually spend more than you take in and somehow look to the future and say "We are going to be okay."

And the numbers may not be exact, but I think it is somewhere around 3.2 to \$3.4 trillion a year we spend and we take in somewhere around 2.5 to 2.6 in tax revenues.

And that is like telling somebody who makes 25- or \$26,000 a year "It is okay to go out and spend 32,000 or 34,000 a year. And don't worry about it because you are always going to be able to borrow whatever you need. And if that doesn't work, you can down and start printing it in the basement."

We have talked about and we are bragging about the fact that we have reduced our deficit spending, but we don't talk about the effect it has on our long-term debt. It is the long-term debt that is going to really affect our ability to recover.

The numbers that I understand is that last year tax preparation took about \$167 billion, tax preparation, and it took about 3 1/2 billion hours to do it. I would think that most Americans would feel that that money and that time could have been used more effectively.

Dr. Holtz-Eakin, I have listened to you many times.

And, Dr. Feldstein, you, also.

Mr. Johnson, I have never been with you before.

My concern, quite frankly, is that we are not addressing the real problem here. Anybody that has a charge account, the worst thing you can do is to continually ask the bank or the lender to give you greater spending limits without being able to address the fundamental problem, that is, you are spending too much.

So what we look at right now with tax reform, we have an excellent opportunity to get this country back on track.

Dr. Holtz-Eakin, you talked about annual growth of 2.3 to 2.4. I think that is absolutely pathetic in a country that is so blessed with so many assets. And to think "Well, that is the new normal and that is what we should shoot for," that doesn't make sense to me.

If there is a global market that we cannot only compete in, but dominate in, we have an excellent opportunity. And most of it, I would think, comes from energy.

If you could just for a minute, the effects of lower costs of energy and our ability then to compete in the global market, where that would take us and how that would strengthen our position in the world.

I think the geopolitical consequences of not being in the strongest position create the greatest danger for us not only abroad, but here at home.

So just a little bit talk about -- my goodness. 2.3, 2.4, that is the new normal? I would -- I would think that is almost laughable.

And if we are going to allow a political agenda to outpace policy, then we are in deep trouble. But energy and our ability to export energy and capitalize on it.

Mr. Holtz-Eakin. Well, as I said, I don't think anyone has done a comprehensive accounting of the benefits to the U.S. economy of the rapid expansion in the oil and natural gas industries in the United States.

But we know from the post-war history of U.S. economic growth that a standard problem has been sharp spike in global oil prices, Federal Reserve's concern over inflation getting pushed into the system as a result, tightening of monetary policy, some combination of that leading to a recession, worsening budgetary outcomes in the process, having to fight anti-recession measures.

We have seen that movie again and again and again. And I think the biggest difference now, given the distribution of production in North America and the rest of the world, is that is very different. And we won't see that to the extent that we have in the past, and that is the biggest benefit.

We should continue to let the private sector pursue energy developments based on market incentives, and I think we should interfere less with incentives. I see no reason why we don't export our oil, for example. That ban is an anachronism and should be lifted as quickly as possible. It would allow U.S. gasoline prices to fall even farther because they are benchmarked with global prices and we could get them down.

So we should pursue the energy. We have gotten a lot of benefits from it. We can get more. But I don't think we need to single out the energy sector as something -- the only thing we are going to do. That would be bad economic policy. Let markets drive it. It will be successful.

Mr. Kelly. And the effect -- Dr. Feldstein, if you want to weigh in on this, also, the effect on businesses, the private sector especially, when one of your main worries is not your competition, but the way you are regulated and the way you are taxed by the country that you live and work in, and, by the way, the same country that you fund every single penny

of either what they spend or what they borrow, I think we need to be looking at that as to how do we make those people stronger.

I can tell you from being in the automobile business -- people get confused about this -- in the early 1970s, when prime rate was at 21 percent -- not 2.1 percent, but 21 percent -- I understand it because, at that time, my floor plan at the dealership was 1 percent over prime.

When you start paying 22 percent interest on inventory, what you do is you quit ordering cars, which means the guys that make tires don't make tires, the guys that build cars don't build cars. It has an effect that is overwhelming.

If you could, we have an excellent opportunity right now to really lift this country to a level that it hasn't seen in quite some time if we look at this tax opportunity and pro-growth.

Mr. Feldstein. I see you have about 1 second left. So I will simply say yes.

Mr. Kelly. Okay. Well, you know what you said earlier about savings. I am 66 and you talked about the 67 years old. So I am hoping I have more than 1 second left. But thank you for coming here today. Thank you for your testimony.

Mr. Johnson of Texas. Your time has expired.

Are you going to sell them all three a car?

Mr. Kelly. You know what. I -- you know, it is -- there is a great market out there. Right now my question is always, "What can you afford?" "Up to, but not more than" -- and then we will get you there. And I don't know how many months or how much money down, but we will get you to where you need to be.

Mr. Johnson of Texas. Thank you.

Mr. Renacci, you are recognized.

Mr. Renacci. Thank you, Mr. Chairman.

And thank the witnesses for being here today.

I want to follow up a little bit on what my colleague Mr. Reed was talking about and a little bit what Mr. Kelly was talking about, too.

You know, we are talking about national debt and growth of the national debt. I always get concerned -- you know, I was a businessman, also -- because I am a big believer you have to look at the full picture.

Before you can move forward, you have to know where you are at, before you can make decisions, policy decisions, any decision, moving forward. And I am always somewhat concerned that we always just zero in on the national debt without also zeroing in on all the unfunded liabilities that this country actually has.

When you start to add those unfunded liabilities to the national debt, I believe you make different policy decisions than you may just zeroing in on the national debt. But I would like to hear what your thoughts are.

And I will start with you, Mr. Feldstein. Why don't we look at the total picture? And do you think we should?

Mr. Feldstein. Well, I think a number of economists, a number of studies, and the CBO all do look at these unfunded liabilities. The danger when you do it is the numbers turn out to be so big that people just throw up their hands and say, "This is hopeless."

But it isn't hopeless. The real point is, if we slow the growth of some of these entitlement programs not by a lot, but by a little bit, then we can bend the curve and avoid this explosion of unfunded liability.

So I think that is -- that is the challenge. And -- and I spoke about increasing the retirement age in line with the increase in life expectancy. That would make a big difference to these unfunded liabilities.

Mr. Renacci. You see, I am a big believer, if you know what all your liabilities are and you are making a policy decision and you see the liability curve has changed, you made a good decision. We don't do enough of that.

Mr. Holtz-Eakin.

Mr. Holtz-Eakin. Well, I would say two things that I think got left out of this discussion. We all know the numbers are big and terrifying, and that is exactly right.

Number one, I personally dislike the term "unfunded liability" in this context because they are not liabilities. They are policy decisions and promises made. They are not like contractual obligations in the private sector. They can and should be modified.

Number two, to call them "unfunded" begs to fund them. Please don't. We can't afford that kind of a tax increase without killing the economy. It is just unreasonable. So I don't like the term.

Second is this discussion is often posed by the green eyeshade types, me. CBO directors say, "Oh, my God. These numbers are big, huge." These programs are important parts of the social safety net and they are falling apart.

Social Security: 25 percent benefit cut across the board in 20 years. Terrible way to run a pension system. Fix it.

Medicare right now: Payroll taxes come in. Premiums come in. Spending goes out. Gap? \$300 billion every year. 10,000 new beneficiaries every day. That is a program that will fall apart in its own financial weight. Terrible for seniors. Please fix it.

Medicaid: A program where people go to the hospital for ordinary care at higher rates than the uninsured. Please fix it.

So it is not just they are unfunded liabilities and that they threaten the economy. They are not doing their job either.

Mr. Renacci. But they are a liability. And I think, if we looked at them, we would make those decisions.

Mr. Johnson.

Mr. Johnson. I agree.

We should look forward and we should understand what drives those costs. And it is health care costs across the economy paid by the Government and paid by the private sector.

And we should be considering and trying to apply policies that shift -- bend that curve, that slow down the rate of increase. The Affordable Care Act did that.

Now, that is the data. Now, we will see -- we will see -- we will see if it lasts. I understand. We will see if it lasts. There is plenty of discussion there. I mentioned that in my testimony. All right.

But that is what we should be looking for, policies that reduce -- that forward trajectory of all healthcare costs, not just those very important ones paid by the Government.

Mr. Renacci. Thank you.

Also, a big issue for me always in the private sector was certainty and predictability. We make decisions here that eliminate that certainty and predictability. Government is good at doing that for the business owner.

I would like to hear your thoughts on -- you know, we have these expiring tax provisions that were talked about. Talk about uncertainty and unpredictability. How does a business operate when they never know what their tax policy is?

I want to know -- and I know I have got 50-some seconds. So I will give you all an opportunity of what your thoughts are. Should these be permanent? They have been around for 20-plus years. What is your thoughts?

Mr. Feldstein. Certainly many of them get renewed every time, but there is an uncertainty about it. So why not make them permanent. That, seems to be, would be sensible.

Mr. Holtz-Eakin. There is no virtue to an annual tax extender's package. The practice should end. Make the good ones permanent. Get rid of the rest.

Mr. Johnson. Uncertainty discourages investment, discourages hiring. Please do not -- in addition to what you are proposing, do not have a confrontation over the debt ceiling or threaten more government shutdowns. Those generate a lot more uncertainty than the annual tax extenders.

Mr. Renacci. Thank you, gentlemen.

I yield back.

Mr. Johnson of Texas. Thank you, sir.

Mr. Rangel, you are recognized.

Mr. Rangel. Thank you, Mr. Chairman.

And let me thank the panel.

Professor Holtz-Eakin, you have been around so long that I almost consider you a part of -- an extension of the Congress.

But having said that, I am very optimistic as to what we can accomplish in the next 2 years. The President has 2 years left. We have a new chairman of this committee. And we have a lot of things that we have a priority: tax reform, infrastructure, education, disparity in incomes. But the one opportunity that I will just confine my inquiries today is going to be on trade.

We have a new chairman. And I look forward to working with Chairman Tiberi on trade. And certainly Ranking Member Sandy Levin has dedicated a large part of his adult life to improving trade and creating jobs.

A lot of things that you said could go unchallenged. But I hope that even after this hearing you and I can get together to see just what parts, in your professional opinion, we all agree on so that we can just keep out the rhetoric and start concentrating on those things that we can cooperate because the TPP and the Trans-Atlantic opportunities should not just fail because we are not talking to each other.



Now, there is a lot of thought that the President should have trade authority because 435 people cannot negotiate a trade agreement and the fact that a lot of our foreign partners want to make certain that the Congress is not going to tear it apart and the President has the authority.

And, of course, the Congress is caught in a position that -- we just don't want to be caught in the position that we have to vote yes or no when there is so much time and opportunity for us really to discuss what is in the bill, what are the winners and losers, and how are we prepared to deal with it.

There are just some people, when you say trade, they say loss of jobs. Of course, other people say, "We are talking about millions of jobs that are going to be created."

It would seem to me, Professor, that -- why is it so difficult to determine where these jobs are going to be lost and where they are going to be gained?

Because the fact remains that, if you are having a progressive trade agreement, whether it is because of cheap labor, whether it is loss of productivity, whether it is technology, there are a lot of Americans who totally are just out of it for whatever reason as a result of trade.

Now comes an opportunity for new jobs to be created. And if we had any idea that included in these agreements were protection for the American people, the intellectual property, the standards are going to be there for health that -- that these people -- Communist countries especially are going to respect their workers. Environment is going to be protected.

How do you expect that we should give the President the authority when we have not the transparency to educate a Congress, Republican and Democrats, when, say, TPP comes to the floor?

Now, you know the politics of it so that you can get directly to the core and giving the answers to questions that some of us may not want to hear because it is easier politically to kick down the barn than to build it.

But you have to admit that -- if a person has lost their job for any reason and you tell them about great opportunities in TPP and that Congress doesn't know what it is and won't know what it is until the President gives the trade authority, what do you do?

Mr. Holtz-Eakin. I don't run for office, but you have already made that mistake.

So I think, on the negotiating issue, it is not an either-or choice. I think the President -- every President should have Trade Promotional Authority. I believe that deeply for the reasons you actually described quite eloquently: their ability to seal the deal, make a firm commitment.

At the same time, the Congress has its oversight capabilities and, you know, the trade ambassador should be at this table. And you should be weighing in on, "What is the state of the negotiations? What are the provisions that I care about? Are you doing a good job?"

There is no reason why they get to negotiate with no oversight from the Congress in a vacuum without any feedback --

Mr. Rangel. And the oversight --

Mr. Holtz-Eakin. I mean, that is an important --

Mr. Rangel. When we vote --

Mr. Johnson of Texas. Gentleman's time has expired.

Mr. Rangel. -- we don't have oversight for 435 members. It is either yes or it is no. And I am going to follow through with you.

Mr. Holtz-Eakin. Before the vote. During the negotiations. That is when it is important to have them at the table. That is what I would say is the right combination.

Mr. Rangel. I would like to follow up with you because --

Mr. Johnson of Texas. The gentleman's time has expired.

Mr. Smith, you are recognized.

Mr. Smith of Nebraska. Thank you, Mr. Chairman.

Thank you to our panel for your participation here today.

Obviously, America is a big place. The world is even bigger. And I think the discussions about trade and various -- and the economy, in general, are very important.

You know, it has been interesting, as a representative from Nebraska, one of a number of plains and mountain west States, others being South Dakota, Wyoming, Utah -- other notable States have fallen far below average unemployment and lower costs of living throughout a lot of the economic downturn.

And what has been interesting, obviously, is that -- these States that don't experience these substantial economic highs nor those lows that perhaps some other States have.

And so I was wondering if you could reflect a little bit on the observations you may have made throughout the last few years about the differences between, you know, regions of the country, more specifically even States, because, obviously, we had our share of

challenges in Nebraska amidst the economic downturn, but certainly we did not see that high unemployment rate that other States saw.

Could any of you reflect on that a bit, perhaps starting with Dr. Holtz-Eakin.

Mr. Holtz-Eakin. I think the number one thing that differs going into the crisis is the state of housing markets. Housing markets were an integral part of the -- of the Great Recession.

We had two different kinds of bad housing markets. We had the one everyone hears about, which is the California, Nevada, Arizona, Florida style big housing bubble collapse and the roller coaster ride that that visited on everything related to housing.

The Midwest had a very different housing problem. They never saw the housing bubble and collapse, but those were bad economies and they weren't growing rapidly and people turned their houses into -- into second mortgages and third mortgages to get cash out of them because they were really struggling. And when the recession hit, they couldn't keep it up.

And that was a very different style of housing problem. And the States' experiences I think start with those differences.

They then differed greatly, depending on their oil and natural gas opportunities. The energy States did much better than did the rest quickly for reasons we have discussed already.

And then I think the third thing is, you know, State government matters. I mean, in terms of the quality of the policymaking, you know, some States went in in terrible financial shape and were unable to help and assist the private sector. Others, like Indiana, went in in great shape. I don't know the details of every State.

But I would look at those factors as well.

Mr. Smith of Nebraska. Thank you.

Mr. Feldstein.

Mr. Feldstein. Housing was very important, and there is a danger we are going to create some of those same problems again.

As I understand the new rules, Fannie and Freddie will take mortgages with 3 percent down payments, 97 percent loan-to-value ratio. That doesn't sound like a good idea.

The notion was that mortgage originators should have an incentive to be careful by keeping some skin in the game, 5 percent. That has been scrubbed. That is not part of the new rules.

So I think we are creating a possibility that we are going to see in different parts of the country serious problems if house prices don't continue to rise at a uniform rate.

Mr. Smith of Nebraska. Right.

But looking back, were there any observations you made in terms of States that had relatively low unemployment in comparison to States' high unemployment?

Mr. Feldstein. Well, I think what Dr. Holtz-Eakin said is quite right, that there were big differences in what had preceded in the housing area. And, therefore, the downturn was much more serious in some areas where house prices had gotten way out of line.

But if I can buy a house with only 3 percent down, there is going to be a temptation to start running up house prices again in those markets.

Mr. Smith of Nebraska. Thank you.

Mr. Johnson.

Mr. Johnson. Just to pick up on one point made by Mr. Holtz-Eakin, which is many States do not have fiscal capacity to deal with crises, they either don't have the resources, they are not able to borrow, or maybe they run in a way that is a little too close to the edge, or they have balanced budget legislation. And that is why what the Federal Government does in terms of fiscal policy is particularly important.

And that is why, you know, I think we should on a forward-looking basis before it gets to a situation where there is a lot of rhetoric and confrontation think about what is the right way for fiscal policy to be involved in any future difficulties that occur at a State level, a regional level, or the national level.

As I recall, at the end of 2007, early 2008, when you had a Republican President, there was a lot of Republican voices who were in favor of a fiscal stimulus at that point. I think Mr. Feldstein testified in some of those hearings and had a big impact. We should think about that before it gets partisan again.

Mr. Smith of Nebraska. Thank you.

And one additional question, Professor Holtz-Eakin: Do you believe that trade promotion authority would actually help American agriculture?

Mr. Holtz-Eakin. Yes. We have the most productive and efficient agricultural sector on the planet. And opening up, for example, the Japanese agriculture markets is a big opportunity, if it can be done.

Mr. Smith of Nebraska. I agree. Thank you.

I yield back.

Mr. Johnson of Texas. Thank you. Your time has expired.

I now recognize Mr. Schock.

Mr. Schock. Thank you, Mr. Chairman.

And I, too, wish to congratulate our new chairman of the committee.

You know, I have been fascinated by all the questions from both sides about economic growth, static scoring or accurate scoring, as Chairman Price calls it. And it is particularly because I think the debate oftentimes, at least on this committee and even in the broader context in the political realm, between left and right on economic growth, on the disparity between haves and have-nots, the middle class, the wealthy, the poor, is really a question of whether or not you believe our economy is dynamic, whether or not you believe that the best way to create wealth, the best way for those without to have is whether to take from those who have and redistribute or whether to incentivize those who do not have to work, to innovate, to create, and, for those that have, to invest.

And so, specifically, there has been a lot written about this over the last couple years, and I know one book that has been getting a lot of play right now, particularly on the left, is a book written by a French economist, Thomas Piketty, "Capital in the 21st Century."

And some of the most interesting assumptions he makes is basically that, throughout the last 100 years -- he looks at the bottom 5 percent, the bottom 10 percent, all the way up to the top 1 percent -- he is basically making the assumption that those in those percentiles pretty much remain the same and that there hasn't been the type of mobility and the type of upward mobility up the economic ladder that I think many of us on the right side of the aisle, at least, believe is what America is all about.

Specifically, Mr. Feldstein, I know that you have taken Mr. Piketty on in these assumptions. And I wish you would just maybe speak a little bit about what you think this committee ought to be focused on in terms of the income disparities that are present in our economy and the best way to raise those who have without and those that are struggling to be in the middle class and those that are in the middle class to go even higher.

Mr. Feldstein. So Professor Piketty was really not concerned with that problem. He was concerned with high incomes. So I think that is the wrong place to focus.

I think the right place to focus, if we are concerned about income distribution, is to focus on the question of poverty and what we are dealing with there. Part of that is a question of education. Part of it is labor force participation. Part of it is a measurement problem; it is not as bad as it looks.

So I think all of those are things that this committee might spend some time focusing on, drilling down, and trying to understand what the actual nature is of, say, the bottom 10 percent of the measured income distribution.

Mr. Schock. Mr. Holtz-Eakin, would you like to comment?

Mr. Holtz-Eakin. I think there are a couple responses to this whole discussion.

One is, Mr. Piketty's research has been questioned on a number of fronts, and I think it is worth looking at just sort of the geeky, nerdy statistical fight about whether he is measuring something real or not. For example, tax reform caused a lot of people to report income after 1986 that they didn't previously. The world hadn't changed, but the reported world looks very difficult. And I would be nervous about that, that I think that is one of the things that is going on.

Second is sometimes the wealth of the upper class went up relative to the middle class because we destroyed the wealth of the middle class. That is what the housing bubble did. Don't do it again. Right? That is the lesson of that. It is nothing about the top; it is about our housing policies.

And then the third is, I will just echo the mobility evidence that says that, on the whole, mobility in the United States is the same as it was 50 years ago. People have a chance to get ahead. We just don't like how good getting ahead is. We don't like how good being at the bottom is. That is focusing on economic growth and antipoverty programs. And that is where the focus should be.

Mr. Schock. Mr. Johnson, I have 30 more seconds. Do you believe in mobility?

Mr. Johnson. Of course. We all believe in mobility. I am an immigrant, Mr. Schock. I came here for exactly the mobility. But I think that the -- and I think, by the way, the way you framed the discussion at the beginning is sensible and appropriate. I think you summed it up nicely.

And I think if you go back to the chart Mr. Levin put up at the beginning showing what has happened since the 1980s, the big theme we have had in our public policies has been -- not 100 percent, but a big theme has been towards some form of trickle-down and saying this will benefit other people, and it hasn't happened. And I think we should, in the basis of thinking about comprehensive tax reform, consider that.

You know what we got out of the 1980s and out of the 1990s, and it was not more for the middle. It was more for the top. And it is a global competition for talent, as Mr. Holtz-Eakin said. That is absolutely right. And you have to think about how you handle that going forward.

Mr. Schock. Thank you.

Chairman Ryan. [Presiding.] Time for the gentleman has expired.

Dr. McDermott is recognized.

Mr. McDermott. Thank you, Mr. Chairman. I want to congratulate you. I think I will wait until after next Sunday in Seattle before I congratulate you totally.

I listened -- I mean, we have been here 3 hours, and you guys have been through the rack on about everything under the sun. But one of the interesting things I see, having sat through all of this, is very little is talking about the middle class and those people struggling to get on those ladders.

One of them is students. There has been almost no discussion of the \$1.2 trillion in student debt which is hanging over our students. And I look at that -- I mean, I am a doctor, so I know what goes on in medicine, where you come out \$300,000, \$400,000 in debt, but even if you are going to be a schoolteacher, you are \$60,000 in debt -- what that does to your view of the economy and the society and how much you are going to invest.

And when you are basically trying to succeed in survival and pay your debt service, there is nothing left to save. We hear there are no savings in America. Of course there isn't. Every middle-class family in this country has put all their savings into their students' loans. They have signed their house notes, they have signed all kinds of stuff to do this.

Now, one of the fascinating things about listening to this also has been -- sometimes we get very centric about what happens in the United States, but, Mr. Johnson, I would like to hear your comments about the European attitude toward student debt and what that investment by those societies is making in terms of their future.

Because I sit at -- I have had a university in my district for a long, long time, ever since I came into politics. And I watch the National Institutes of Health dropping their investment on higher-level students. They used to do 19 percent; now they are doing 6 percent of the grants. And there are people deciding, do they want to go into that kind of a thing?

And what is the long-term effect of our heaping the debt on the students? That is really what I want to hear you talk about. And how do the Europeans do otherwise?

Mr. Johnson. Well, Congressman, it is not just the Europeans. It is our other competitors around the world, including in Asia --

Mr. McDermott. Yes.

Mr. Johnson. -- where the attitude is exactly what you said, which is that you want a strong and expanding higher-education sector. You want more people with post-high-school education. You want more people with vocational skills. And you don't want to load them -- overburden them with debt. I think that there is a particular problem

around the for-profit sector in the United States in higher education, and our competitors have, to some degree, avoided that.

Higher education in this country has been a strength, and I think it will be a strength going forward. I think we need to expand that post-high-school vocational education, but expand the supply of it. Don't just subsidize people and encourage them to take on more debt to get various kinds of degrees. Expand the supply, increase the skills that are out there, have them come out with manageable, lower debt levels, to your point. That is going to be --

Mr. McDermott. Let me interrupt you, then, to give you a suggestion to comment on.

Why should a student in this country pay more than 1 percent above prime on their student loans? Why don't we have our loans down at that level rather than these kids who have these 13.6 percent loans from private banks and all the other craziness?

If we brought it so that every student could borrow for school to 1 percent above prime, how would that change the future?

Mr. Johnson. Well, I think we want to be careful not to encourage overborrowing. But you are absolutely right that the level of interest rate on some of these loans is too high. And these people are a good credit risk, particularly depending on the exact conditions of the loan and the contract you are signing. You get paid. The default rate is relatively low. And it is hard to discharge, in many jurisdictions, as you know, discharge these debts in bankruptcy.

Mr. McDermott. It is impossible in most.

Mr. Johnson. If they are federally guaranteed loans, certainly.

So I think that we should look at this market and we should understand the competitive practices and we should understand some of the companies that are inappropriately gouging students. That is absolutely part of the picture.

But, most of all, expand the opportunity, expand the supply of post-high-school vocational training.

Mr. McDermott. Now I want a short answer on one more question.

If the oil patch goes in the tank, as it looks like it is going to because of all this, of the cost of oil coming down so low and it is no longer -- they are making it in banks all over the Southwest, they are starting again like they did in the housing and loan -- should we bail them out?

Mr. Johnson. No.



Mr. McDermott. Thank you.

Chairman Ryan. Okay. We will leave it at that.

Ms. Noem is recognized.

Mrs. Noem. Thank you, Mr. Chairman. And congratulations. I am looking forward to being a part of the work that this committee is going to be doing.

And I appreciate all of you being here and being here for so long and lending us your expertise.

I wanted to talk a little bit about trade and the process for getting trade agreements accomplished. But I wanted to reference a comment that was made earlier by a member of the committee that was interesting to me, because he talked about Republicans and people on our side of the aisle continuously running the same playbook -- lower taxes, less regulation, not spending dollars, cutting spending -- and how that isn't working and we need to change the play.

Well, I come from the State of South Dakota. In fact, I represent the entire State of South Dakota. And so we have made some tough decisions in that State. I served in the legislator from 2006 to 2010, so I was there during the crisis when we had such difficult times. We have become the number-one State in the Nation to do business in. And we have done it by keeping our tax burdens low.

We have a regulatory burden that is minimal and allows businesses to come into the State and to thrive and survive and keep our people to work. We have a low unemployment rate. In fact, we even have a constitutional requirement to have a balanced budget every single year, which I believe Mr. Johnson earlier was indicating might be a problem for a State to have something like that when it comes to tough times. For us, it works. We make tough decisions, and, literally, within a year or 2, we can see our economy turn around and do very well.

Our number-one industry is agriculture. And I have spent my life being a farmer and rancher and working very hard to increase not only my own businesses' opportunities but also agriculture in South Dakota and across the Nation, overseas. And so I am excited about the trade agreements that we have coming and the opportunities that that creates. But I also am kind of concerned about how the process goes down.

Last year, the United States reached a record high at \$152 billion worth of exports that happened when it came to that. But, also, I see we have more opportunities, especially when it comes to agriculture products. And, in history, they have given us some sticky points with countries when we have negotiated. Sometimes the hang-up to getting agreements done has been ag products. We have faced barriers when it comes to sanitary and phytosanitary issues and discussions that have gone on.

I would like to ask you: TPA, when it comes to getting that, historically, when we look at previous trade agreements, has it been bipartisan?

I will reference Mr. Holtz-Eakin.

Has it been a bipartisan agreement, traditionally, between Republicans and Democrats to give that type of authority to the President?

Mr. Holtz-Eakin. Yes. And, honestly, it has also been, in many cases, tough, because there is skepticism not just on the left but on the right, and Members have to work out their concerns in granting trade promotion authority. But it has been a bipartisan power given to both Republican and Democratic Presidents by Republicans and Democrats.

Mrs. Noem. Uh-huh. And then, in that role, when TPA is being sought after from Congress, what is the role of the President? Do they become a proponent of getting that type of negotiation power so they can complete these trade agreements?

Mr. Holtz-Eakin. Yes. I mean, White House involvement in this process is essential. White House leadership is essential. On any large bipartisan initiative, you have to have White House leadership to be successful. And that has been a recipe in the Bush administration, the Clinton administration.

Mrs. Noem. So tell me what the near-term effects we could have if some of these trade agreements are wrapped up -- TPP, the agreement that we have in negotiation now with the European countries. What are some short-term, immediate effects we could see in the first 5 years of completing an agreement for that for our country? And then perhaps down the road 10 years from now, what would the benefits be that we would have in this country?

Mr. Holtz-Eakin. Well, as with almost any beneficial economic policy, at a time when you are operating, you know, below your potential, when we still have some people unemployed, we still have so many factories and acreage lying idle, you put those to use. And that is a good thing, and it happens quickly.

But there are finite benefits to that, though. Eventually, that impact goes away. And the larger impact, I think, is the ability to set standards, make sure that the standards, for example, in manufacturing in the U.S. and the codes used to identify compliance with standards are accepted internationally and you are not missing from that negotiation.

They are very durable then. You move the mix of your workforce into the attractive international opportunities, and you can pay them better. And that is why you have these sort of bonuses in export-related sectors in terms of pay.

These are all very durable advantages to being engaged in trade and on negotiating good trade agreements.

Mrs. Noem. One of the comments or facts that I saw circulating around trade agreements and what they mean for our economy is that, traditionally, trade-related jobs pay more than non-trade-related jobs.

Dr. Feldstein, would you care to comment on that and if that is true?

Mr. Feldstein. I believe it is true. I think it is very important, as you move towards TPA -- and you can't do a trade agreement without it -- that you understand exactly what the other side is thinking about putting on the table, what we are hoping they are doing. My sense is that we are not looking at as robust a set of agreements in agriculture with the Japanese as you and I might like.

Chairman Ryan. Thank you.

The gentlelady from California, Ms. Sanchez, is recognized.

Ms. Sanchez. Thank you, Mr. Chairman.

And thank you to our witnesses who have been here patiently answering our questions. I appreciate your willingness to join us.

And I am a little bit confused about the purpose of this hearing, or, I should say, the information that has come out of this hearing. Because, on the one hand, I hear that, you know, our terrible President is sending our country down the drain with his un-American economic policies, but, on the other hand, we are hearing that our country has seen 58 consecutive months of job growth thanks to the leadership of President Obama. So I guess it just depends on whether you like the President or not.

The Ways and Means Committee has a long history of holding substantive hearings in an effort to find solutions, actual solutions, to try to move the country forward. And I feel like today has just been a messaging piece, and there has not really been a lot of serious discussion.

Is our economy a perfect economy? No, of course it is not. Should take-home pay for workers be higher? Absolutely. But, ironically, I don't see the Republican-led Congress stepping up to fight for workers anytime soon, because a whopping zero Members of that aisle could bring themselves to cosponsor a bill to raise our Federal minimum wage to \$10.10 in the last Congress.

In fact, most of our recent economic recovery in this country has come despite strong Republican opposition and brinkmanship. You know, this is a party that threatened to default on our financial obligations and that actually shut our government down, all at great cost to taxpayers.

And while they continue to advocate for more tax cuts for the very rich, you know, they seem to live in this bubble where they think that history will somehow stop repeating

itself and that their so-called strategies of trickle-down economics is going to magically work this time and benefit everybody, including minimum-wage workers.

And let's talk about another piece, which is, you know, health care, which is probably one of the most important issues for many American families. And the Republican leadership on health care has been nonexistent, as well. Health care shouldn't be just a privilege that an entitled few get to have and can afford.

Before the ACA was enacted, being a woman was considered a preexisting condition, and most women's health issues, including pregnancy, were routinely treated as preexisting conditions. But now, thanks to the ACA, women can't be denied coverage or charged more simply because of our gender, and we can now receive preventive services without out-of-pocket costs, and health plans must cover maternity services, all of which help many working women. Many women now must work to help support their families.

Yet, despite the progress we have seen on women's health, we have seen 54 different votes to try to repeal the healthcare law but no coherent draft of a Republican alternative plan. If we repeal the ACA, what do they propose to replace it with?

There have been, in real dollars and cents, many economic benefits from the healthcare law. And let's talk about the productivity gains that we have as a country from more women staying in the workforce, thanks to the preventive services and family-planning counseling that they receive because of the ACA.

I am particularly sensitive to women's issues as they relate to the labor force and the workforce, and I want to talk about their participation in the workforce because I think it is critical for where our country goes in the future.

I want to address some testimony by Mr. Feldstein and his claims that Social Security discriminates against women by taxing their income but not paying them the Social Security benefits that they have earned. Coming to that particular conclusion, I think, requires three sexist and completely incorrect assumptions, and I am going to talk about them because I think they are important.

The first assumption is that, you know, it assumes that all women are married. Well, that is not the reality in my district.

Second, it assumes that married women depend primarily on their husbands to support them and would therefore get the same benefit from Social Security if they didn't work as if they did. And, again, that is not necessarily the case for many of the constituents that I represent.

And the third assumption that is built in to that statement is that only women and never men, mind you, only women would ever make a choice to earn less or work less, for example, by raising children while being supported by a spouse. And yet we know the

reality is there are many stay-at-home dads now that work part-time or choose not to work to stay at home and raise kids.

In fact, the truth is that the vast majority of men and women get Social Security benefits based on their earnings alone, whether or not they are married. A smaller number get the full benefit that they are entitled to from their own work -- if I could just finish my sentence, Mr. Chairman. I am going to beg your indulgence.

Chairman Ryan. You are doing great.

Ms. Sanchez. -- and then an additional benefit because a much higher-earning spouse has earned a higher family benefit.

And I am just going to close by saying: And some married women and men do not work at all but still qualify for Social Security benefits via a spouse's work.

So I just felt the need to point that out, because I don't know what reality you live in, but the reality that I live in is that most women now must work to help support a family and that, economically, it is no longer the case that women depend on men for their support.

And I will yield back and thank the chairman for his indulgence.

Chairman Ryan. Yep. I am happy to indulge the gentlelady from California.

All time has expired. I believe no other Members are requesting time.

Gentlemen, you have been here since 10:00 a.m. this morning. This is our first hearing in the new 114th Congress, and I very much thank you for taking time out of your busy schedules to indulge us today. Thank you very much for enlightening us in this hearing.

The committee stands adjourned.

[Whereupon, at 1:23 p.m., the committee was adjourned.]