Hearing on Reaching America's Potential: Delivering Growth and Opportunity for All Americans

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Hearing on Reaching America's Potential: Delivering Growth and Opportunity for All Americans

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

The committee met, pursuant to call, at 10:05 a.m., in Room 1100, Longworth House Office Building, Hon. Kevin Brady [chairman of the committee] presiding.

Chairman Brady. The committee will come to order.

Welcome to the Ways and Means Committee hearing on "Reaching America's Potential: Delivering Growth and Opportunity for All Americans." I thank you all for joining us today.

We are holding this hearing today because we want the American people to clearly understand the members of this committee are focused on their number one concern, the economy. This is what we hear about at home, and this is what we will take action on in Washington. For over 7 years, Americans watched in disappointment as the Obama White House has settled for slow growth. Time and time again, the President has refused to support bipartisan, commonsense policies that can improve the lives of millions of people across the country.

And, today, February of 2016, we remain in the middle of the worst recovery in the post-war era. The fact is, if the speed of this recovery simply matched the post-1973 average, GDP per person would be 7.5 percent. That is a full $4,200 per person higher than it is today. That is about $17,000 for a family of four.

While the economists in the room love to hear these numbers and percentages, I will take a moment to talk about what this means to the rest of us. With growth well below historic norms, productivity growth is near zero, and wage growth is flat. Median household incomes are down. That is no surprise to most Americans. Forty-six million Americans are living in poverty, including millions in the prime of their life who are sitting on the sidelines without work.

The American people deserve better, and Washington doesn't have any more time to waste. I could spend the next hour discussing the failed policies of the past, but I won't. The American people need us to focus on what we can do today to make their tomorrow better. And as members of the Ways and Means Committee, we have a responsibility to deliver real leadership.

We are committed to moving forward with a positive pro-growth agenda for America. And in the weeks and months ahead, we will take action on tax reforms to boost investment and job creation; welfare reforms to help more people join the workforce and achieve the American dream; health reforms to truly make healthcare more affordable and accessible; trade expansion to open more foreign markets to American goods and services; entitlement reforms to strengthen Medicare and Social Security for the long haul; and government reforms to boost efficiency and effectiveness instead of stifling jobs and higher wages. Each of these steps will go a long way toward delivering the growth and opportunity all Americans need and expect.

Today we are going to hear from a range of respected economic advisors about specific actions that we can take to ensure America reaches its full potential. I am honored to welcome Douglas Holtz-Eakin of the American Action Forum, Kevin Hassett of the American Enterprise Institute, Jared Bernstein of the Center On Budget and Policy Priorities, and Stephen Moore of the Heritage Foundation. You are all leaders in your field, and you all understand we can't accept the slow growth status quo.

So growth matters. We have to take action to grow our economy. We have to take action to make it easier for the private sector, for Main Street, to create jobs. We have to take action to help Americans keep more of their hard-earned paychecks. Simply put, we have to take action.

So thank you again for joining us, and I now yield to the distinguished ranking member from Michigan, Mr. Levin, for the purposes of an opening statement.

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

And to the distinguished panel, we are glad you are here, and we are glad we are discussing this issue.

The chairman talked about failed policies. I want to see if technology will work and put something on the screen there. There we go.

This screen, this slide vividly illustrates failed policies. Before President Obama took office, that month, this country lost between 700,000 and 800,000 jobs in a month. All of that red is because of the failed policies of the previous administration. What has happened since? Over 14 million jobs have been created. Seventy straight months of growth. The unemployment rate has been essentially cut in half. And the annual deficit has gone down substantially. And over 18 million people have been insured.

Essentially what is being proposed here by the Republican majority is this: The President inherited a deep hole, a deep, deep hole, the deepest since the Great Depression. Since then, we have essentially been digging out of it, and now it is being proposed in this testimony and by the Republican majority, go back to the failed policies, trickle-down economics, essentially digging the hole deeper and deeper.

We have an issue of income inequality. The Republicans have failed -- though they have dominated in this town -- to do a single thing to address income inequality, except to propose more tax cuts for the very wealthy. And if there is an inversion, as taken place recently, where essentially a corporation is not moving anything except its headquarters to a different place to escape taxation, the answer from this Republican majority is, at best, kind of a blank stare.

So the answer is not to return to the failed policies of the past, but to build on the progress that we have been making all of these months.

So we welcome this panel, and you can expect very much that there will be some very important questions. I think we are going to hear a lot about dynamic scoring from one or more of you. And I finish by quoting Bruce Bartlett, and he says this about all of the talk about dynamic scoring, which essentially, I think, is an effort to kind of cover up policies that will mainly increase income inequality in this country, and he says: It is not about honest revenue estimating; it is about using smoke and mirrors to institutionalize Republican ideology into the budget process.

That chart shows the consequences of that institutionalization. And the last thing we need to do is to go back to the past as we face the future; it is to build on the progress that we have made these last 7 years.

I yield back.

Chairman Brady. Without objection, other members' opening statements will be made part of the record.

Today's witness panel includes four experts on the U.S. economy and the importance of promoting economic growth. Douglas Holtz-Eakin is president of the American Action Forum. From 2001 to 2002, he was the Chief Economist on President Bush's Council of Economic Advisers. From 2003 to 2005, he served as the Director of the Congressional Budget Office.

Kevin A. Hassett is the State Farm James Q. Wilson Chair in American Politics and Culture at the American Enterprise Institute. He is also a resident scholar and AIE's director of economic policy studies. He served as a policy consultant in the U.S. Department of Treasury during the George H.W. Bush and Bill Clinton administrations.

Jared Bernstein is the senior fellow at the Center of Budget and Policy Positions. From 2009 to 2011, he was the Chief Economist and Economic Advisor to Vice President Joe

Biden, Executive Director of the White House Task Force on the Middle Class, and a member of President Obama's economic team.

Stephen Moore is a distinguished visiting fellow, Project for Economic Growth at the Heritage Foundation. He has written on the economy and public policy for The Wall Street Journal. He was also a member of the Journal's editorial board.

The committee has received your written statements. They will all be part of the formal hearing record. You each have 5 minutes to deliver your oral remarks.

We will begin with Mr. Holtz-Eakin. Welcome back to our committee. And you can begin when you are ready, sir. Thank you.

STATEMENT OF DOUGLAS HOLTZ-EAKIN, PRESIDENT, AMERICAN ACTION FORUM

Mr. Holtz-Eakin. Well, thank you Chairman Brady, and my congratulations to you. Ranking Member Levin and members of the committee, it is an honor to be here today.

In my opening remarks, I will make three points. The first is that America has a growth problem, and the poster child for this is that the Congressional Budget Office has pegged the long-term potential for economic growth at 2 percent, which is below the average pace of the economic recovery, and so these are literally the good times, according to those numbers.

The second point is that to address the growth problem, the committee needs to examine supply-side structural changes that either cause faster labor force growth or enhanced productivity growth.

And my third point is there are, within the jurisdiction of this committee, potential reforms in trade, in taxes, and entitlements that can be useful in boosting the long-term rate of economic growth.

Let me talk a little bit about each in turn.

First, a way to think about the growth problem is this: In the post-war period up to 2007, growth averaged 3.2 percent a year, which when you combined with population growth meant that GDP per capita, roughly a measure of the standard of living income per person, doubled every 35 years. So in a single working career, you could imagine the standard of living doubling: people buying a home for the first time, sending kids to school, whatever that might be.

If the CBO is right about its 2 percent projection and with population projections, it will take 70 years for the standard of living to double, and not in one working career, but in two, you might get back to the same kind of advances that Americans have been used to. Addressing that problem I think is central to the policy challenges that face the country.

It would also help with some other things that the committee is quite familiar with, and that is the fiscal outlook for the Federal budget, right. As the CBO just pointed out in its baseline projections, we are on an unsustainable trajectory. We have been so for some time. Improvements in the economic growth will not solve this by itself. You can't grow your way out of this problem, but every 10th of a percentage point translates into roughly $300 billion, $325 billion in budgetary improvement over 10 years. And having better growth makes addressing these other challenges much, much easier. It is important for that reason.

The second key point is you need to do supply-side productivity and labor-force-enhancing reforms to get better growth performance. This is literally by definition not an issue of stimulus or any of the kinds of things we have talked so much about in recent years. This is about the long-term rate of economic growth independent of business cycles. And they can only be addressed by things that raise the growth rate of either the number of workers, the labor force, or the output per worker, the income that they can produce, productivity. And those two things should be the focus of the committee's thinking: What can we do in the way of permanent changes to enhance labor force growth and/or productivity growth? And because these are long-term issues, you should be thinking hard about structural changes, permanent changes, not temporary policies that might alter incentives for a short time.

Third is that there are some obvious areas where the committee, I think, should focus. The first would be in social safety net entitlements and efforts to make them more pro-work in every dimension. This morning my institution, the American Action Forum, released an analysis of a proposal by Speaker Ryan to enhance the earned income tax credit for those who do not have children. Doubling the childless EITC, in our estimates, would bring about a little over 8 million people into work in the United States. That is an enormous improvement. It would cost roughly $1,700 in taxpayer dollars per job created, which is way better than anything we have heard about in terms of job creation. And we know that the dividing line between the poor and the not poor in America is those who work, and any pro-work improvements of that type are things that the committee should be pursuing. Those are things that you could pursue.

The trade agenda. Opening markets to trade is a crucial part of growth. Scale of market access helps our companies and our workers. The benefits of competition: enhanced productivity. It is no surprise that the high-productivity jobs are in the export sector, and that is where the high wages are.

Tax reform I am sure we will get a chance to talk a lot about, but these are ways to increase the efficiency of the existing capital, augment capital, whether it is in innovative forms, in physical forms, or in the skills of workers. And most testaments indicate you could add as much as a half percentage point -- I think that is the upper bound -- over 10 years to the growth rate of the economy.

And then the final one, which is I think crucial, is entitlement reform. Again, in the budget projections, entitlements are driving the large and unsustainable deficits in the future. That is not a pro-growth strategy. And on top of it, those entitlements are not serving the beneficiaries very well. So we can get a more durable social safety net, one that doesn't endanger the pace of economic growth and serves the beneficiaries better, and that is an agenda that I would recommend to the committee.

So I thank you for the chance to be here today, and I look forward to your questions.

Chairman Brady. All right. Thank you very much.

Mr. Hassett, you are recognized.

STATEMENT OF KEVIN HASSETT, DIRECTOR OF ECONOMIC POLICY STUDIES, AMERICAN ENTERPRISE INSTITUTE

Mr. Hassett. Thank you, Chairman Brady, Ranking Member Levin. It is really an honor and a pleasure to be here. Like Mr. Holtz-Eakin, my testimony is really divided into three parts. We didn't coordinate on that ahead of time.

The first part looks at how the economy has been doing and how that relates to what the administration has forecast the economy would be doing. And I think that the lesson of the first section of my presentation is that the administration has overestimated growth repeatedly, on average, by about a percentage point even though they have been able to update each year their forecasts based on the misses that they made before because my chart presents their forecasts a year ahead of the growth that we actually observe. And so, clearly, there is something going on where they are not using the right model or not updating the model that they are using because they keep making the same kind of mistake over and over and over again. I add -- and it is an important qualification in my testimony -- that I don't think that is a partisan thing at all because there are a heck of a lot of economists who are doing the same thing, you know, from the left and from the right.

But the third chart in my presentation suggests that there is sort of a reason why this has been going on, and it is that we have had a financial crisis, as Ranking Member Levin's presentation suggested, that when President Obama came into office, it was a terrible, terrible time and financial markets were falling apart. And if you look at the Reinhart and Rogoff data that suggest, well, how would an economy do after a financial crisis, you can see that generally it does a lot worse than a typical recovery. And in my third chart, you can see that the U.S. is doing a lot worse than a typical recovery, but they are doing about as much worse as you typically see after a financial crisis. And so if you wanted a reason why we have not done better than we have, then you could say, well, it is because we have experienced exactly the same thing that for hundreds of years countries have experienced after a financial crisis.

If you read Reinhart and Rogoff, you will see that part of the reason why you get slow growth is policy errors, and so then it opens up the question is, are there policies that we could pursue right now so that we could start to do better? And that is where the second part of my testimony begins. And there I think that there is a lot of hope. And, again, I don't think of it as a partisan hope. I think it is a hope for everybody who believes in science and economics.

And I focus my presentation in the second part just on papers that in the last 3 years have come out in the American Economic Review. This is not a partisan place. It is like the gold standard of economic journals. And in there, there is this literature that is starting to find that tax policy has a much bigger effect than economists used to think, and this is looking at actually hard, time series evidence of how the economy moves up and down. And my presentation discusses why the scientists at top universities, including the Romers -- Christina Romer was President Obama's Chairman of the Council of Economic Advisers -- that why they are finding this is really quite intuitive, that over time when the economy goes up and down, if the economy goes down, then members of the Ways and Means Committee historically have said: Gee, the economy went down. We have to do something about it. Maybe we should have a tax cut to try to get the economy out of this recession and/or a spending increase.

But what that means is that if we look back at history over time, then in bad times, we have tended to lower taxes. And so if you don't account for that, then you will find that taxes tend to be low when things are bad, and you could, you know, conclude that supply-side economics doesn't work. In fact, it goes the other way.

If you exclude those endogenous policies from your analysis, you tend to find really big positive effects of tax cuts, really big negative effects of tax hikes. And to put that in perspective, if President Obama's team had believed this latest literature and revised their year-ahead forecasts to account for the negative effects of the tax hikes that happened when we lifted the top marginal rate, then their forecasts would have just about nailed the GDP growth rather than missing it by a lot. And so I think that, yeah, that is the scale of the tax effect discussed in my testimony.

The third part of my testimony, which is less important maybe now for discussion, is that, you know, technical staffs will often say: Well, there is no economic model that can give you effects as big as what they are finding in the data, so the data must be wrong. And I talk about why there have been a lot of developments in the theoretical literature that suggests that we now understand why the economy responds as much as it does. And there, again, it is very, very intuitive. If you are a 35-year-old worker and we lift the tax rate, then if you work an hour less, then you lose the hour wage, but you also lose whatever increment to your human capital you would get from working harder. So you get some experience. You drive up your wage in the future, and if you don't work, then you lose not only the wage today, but the wage in the future. But if you are a person like myself, 54 years old, then if I, you know, don't work an hour, I am not really going to change my future wage very much. And so if you lift the top rate, what you ought to see is that younger people don't respond very much because they are worried about investing in their future by working harder today, and older people, like myself, will respond a lot to taxes. If you account for that effect and build it into models, you end up getting out of the models effects that are just about the size that we are seeing in the time series data.

And so, to conclude, what we are seeing now, I think, in the latest journals is almost a consensus emerging that taxes are having a much bigger effect on economies around the world than we thought. These results have been replicated in Canada, the U.S., the U.K., and Germany now. And so I think that what it suggests is that there is an enormous opportunity for this committee in the next few years to have a big positive effect on the growth of this economy.

Thank you very much.

Chairman Brady. Thank you.

Mr. Bernstein, you are recognized.

STATEMENT OF JARED BERNSTEIN, SENIOR FELLOW, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. Bernstein. Well, thanks so much, Chairman Brady and Ranking Member Levin, for having the hearing today.

From the perspective of working families, probably the most important aspect of the current economy is the state of the job market. Here, the U.S. economy is on very solid ground. Payrolls were up $2.7 million last year, slightly below the 2014 edition of 3.1 million jobs. The cumulative gain of 5.8 million jobs marks the strongest 2 years of payroll gains since the late 1990s. As was said, private businesses have now added 14.1 million jobs over 70 -- seven zero -- straight months. That is a record consecutive streak. The unemployment rate is down by half since it peaked at 10 percent in late 2009.

These developments, along with very low inflation, are helping to boost real earnings of middle wage workers. After falling for 3 years, their real weekly earnings rose in both 2014 and 2015 by 1.8 percent and 1.4 respectively. In other words, while we can certainly find areas of concern in today's economy, there is too much inequality, too low productivity growth, we can and should grow faster than the average 2 percent real growth rate over this expansion. The labor market has been long improving, and if anything, job growth has recently accelerated.

Turning to tax policy, I stress two important criteria: making the Tax Code more effective at reducing rather than exacerbating pretax income and wealth inequality; ensuring ample revenues with respect to our fiscal obligations. Based on demographic pressures alone, we are going to need more, not less revenue going forward. One way to achieve these goals simultaneously, often with the added bonus of improving the economic efficiency of the Tax Code, is to eliminate or reduce tax subsidies and loopholes that contribute to wealth inequality, reduce investment, and incentivize the overseas outsourcing of American jobs.

In the spirit of these criteria, I would strongly urge the committee to be extremely wary of what are essentially trickle-down tax cut arguments. The evidence has not been friendly to such arguments. In my written testimony, I cite various nonpartisan experts. Here are some of their conclusions: Quote, "At the Federal level, there is virtually no evidence that broad-based corporate tax cuts have had a positive effect on growth. That has been amply demonstrated at the national level, where tax cuts have eroded revenue without discernible effect on economic activity."

Quote, "There is no evidence that links aggregate economic performance to capital gains rates."

There has been, quote, "no statistically significant correlation between capital gains rates and real growth in domestic GDP during the last 50 years."

Yes, there is significant room for improvement in our Tax Code, especially on the business side, but Congress must be wary of trickle-down tax cut fantasies. It would be nice if they were true, but they are not.

Turning to issues of poverty and inequality, we are going to hear a lot today about ideas to increase the economy's growth rate, but since economic inequality began to rise in the 1970s, middle class prosperity in the U.S. has not been a function of growth alone. As a much larger share of economic output has accumulated at the top of the income scale, less growth has reached the middle class and the poor. To the extent that low and middle income families have gotten ahead over these decades, it has been due to more hours of work at slower growing or even declining real hourly pay rates, increased government transfers, especially those associated work, like recently expanded earned income tax credits and the unique period of full employment in the late 1990s.

We cannot assume that overall GDP or productivity growth will yield opportunities for less advantaged families. Growth can't help them if it fails to reach them. I hope we can discuss policy ideas to reconnect growth and more broadly shared prosperity.

In this regard, the Affordable Care Act has been remarkably successful at reducing the economic insecurity associated with the lack of affordable health coverage as well as contributing to the slower growth of healthcare costs. Given the predominant role of healthcare spending in terms of our present and future fiscal outlook, the latter, slower growing healthcare costs, is essential in the pursuit of sustainable fiscal policy.

Despite heated rhetoric against it, there is just no way the ACA has killed jobs. I noted earlier the strength of overall employment since health reform came online, but my testimony digs into this claim that rules associated with healthcare reform have led to more involuntary part-time work. To the contrary, such work has been declining since the ACA went into effect, the same way it has in past recoveries before it existed.

Thank you. I look forward to your questions. And I actually yield back my time.

Chairman Brady. Thank you very much.

Mr. Moore, you are recognized.

STATEMENT OF STEPHEN MOORE, DISTINGUISHED VISITING FELLOW, INSTITUTE FOR ECONOMIC FREEDOM AND OPPORTUNITY, THE HERITAGE FOUNDATION

Mr. Moore. Mr. Chairman, thank you very much for the opportunity to testify.

Chairman Brady. Can you grab that microphone, Mr. Moore?

Mr. Moore. Thank you very much for the opportunity to testify today. I was thinking as I was just sitting in this grand room -- I have been in this room, as many of us have, to testify -- and I was thinking back about the mid-1980s, and 1985 to 1986 sitting in the same room, and I see some of the same people -- Congressman Johnson, I know you were here then -- and we achieved something really remarkable, extraordinary, something that hardly has ever happened in the last 30 or 40 years, one of the great bipartisan achievements of this institution. I am talking, of course, about the 1986 Tax Reform Act. And this was an act that, as you all know, was bipartisan. We reduced tax rates from 50 to 28 percent at the top, and we did that by broadening the base, and in a very economically efficient way. And I think almost all economists -- I can't speak for Jared -- but I think all economists agree that what we did in 1986 was what increased the efficiency of the American economy by reducing distortions in the tax system.

Now, the reason I mention this, Congressman, is that, many of you probably don't know this, but that bill was promoted by people like Bill Bradley, the Senator from New Jersey, a Democrat; Dick Gephardt, who was the minority leader among the Democrats was -- I mean, the majority leader for the Democrats was one of the House sponsors of that bill; of course, Jack Kemp and others. And here is the amazing thing: A bill that lowered the highest income tax rate in the United States to 28 percent passed 97 to 3 in the United States Senate. Let me say that again: 97 to 3. When is the last time in the last 30 years we have seen anything like that kind of bipartisan consensus?

What I am suggesting is this is a plea to you, Mr. Levin, and to you, Mr. Brady, get together and get this done in a bipartisan way because the stakes are so huge. You have an opportunity, every single one of you on this committee has an opportunity to make history, and I hope you won't lose that opportunity. It has been 30 years. When you think about we did this in 1986, we haven't cleaned out the stables of the tax system in three decades. It is high time we do that.

Let me talk a little bit, then, about the economy. First, this is a really, really weak recovery. And you don't have to -- it sort of reminds me of the old Groucho Marx line, "Who are you going to believe, me or your own two eyes?" I mean, we can present as many statistics as you possibly need about this recession, but you know the people who know that this is a flimsy, anemic recovery? The American people. And all you have to do is look at the people who voted in Iowa yesterday. Exit polls showed very clearly, what is their single biggest concern? The economy and jobs. The American people just aren't feeling love for this recovery that the President keeps trumpeting as some kind of grand success. People are nervous. People think the American dream is gone, and that is the economic reality that every American is dealing with today.

So what is the problem? Well, if you look -- if you don't mind turning to my testimony and looking at chart 1, if you have that in front of you, you can see the big problem is that we have had a recovery that is way, way, way behind trend. Now, it is absolutely true that Barack Obama inherited a terrible economy, but if you look at the Reagan recovery versus the Obama recovery, and I like to -- I like this comparison because both these Presidents entered office during a period of great economic crisis. I can never understand, by the way, why people didn't say that what Ronald Reagan inherited in 1980, 1981 and 1982 wasn't a financial crisis. My goodness, the stock market over the previous 14 years had lost 60 percent of its value; we had 14 percent inflation, 20 percent mortgage interest rates. I would submit to you folks that that is a financial crisis par excellence.

And, basically, Reagan did use tax rate reductions, whatever you want to call it, supply-side economics, but we got $3 trillion more growth over this period. That is a big number.

What I am saying is we would have $3 trillion more GDP today if we had a Reagan-style expansion rather than an Obama recovery. That is a huge number.

Jared talks about income inequality. If we could just pass that money out, that extra $3 trillion, and pass it to every family, that means every family in America would have $15,000 more income. The average family doesn't have $15,000 more income since Barack Obama came into office. The average family has about a thousand dollars less income.

Now, if you will look -- I am going to skip chart 2, and I just want to mention this issue about the recovery. This has been -- if you look at the Economic Recovery Act that we passed in the stimulus bill, what is amazing about chart 3 is not only did it not work, but if you compare what was supposed to happen -- these are the White House's numbers, not my numbers -- what it shows is not only did we have higher unemployment than we would have had if we would had the -- in other words, what this is saying is the unemployment rate today and the unemployment rate over this 4-year period is higher than even the Obama people said if we had done nothing. We would have more jobs today if we had not done the economic stimulus than we did. Government spending is not a stimulus. What is a stimulus is tax reduction.

What I say in my testimony -- and I will end on this -- is I believe the economy is very weak right now. I think we need an antirecession insurance policy, and the best way to do this is you should vote in the next weeks ahead to cut the corporate tax rate now as a kind of down payment on tax reform later. That will create jobs and that will bring those businesses that are leaving back to the United States.

Chairman Brady. Thank you, Mr. Moore.

I think it is well-known our committee is pursuing a pro-growth Tax Code that is built for growth, built for the growth of families' paychecks and for the growth of our local businesses, for the growth of the U.S. economy.

Dr. Hassett, you explained, you know, these recent innovations in economic research that helps us see better about the impact of taxes on growth. And in the testimony, you state: When properly estimated, a 1-percent cut in taxes' share of the economy increases the economy by up to 2.5 percent over 3 years, so in the fairly short term. The opposite is true as well. In laymen's terms, can you explain a little, just a little about what this new clarity, what creates that?

Mr. Hassett. Sure. I will give it another shot, try it in a slightly different way, that one of the things economists have learned in the last couple of decades is that if you want to evaluate a policy, the best way to do it is to have a random trial, right? So we apply policies to these folks but not to those folks, and we see what happens. If we design the trial well, we can learn.

The problem with tax policy and how it affects the economy is you don't get random trials. What happens is that, you know, governments around the world change tax policy up and down in response to how the economy is doing, but every now and then, they will change tax policy because of some exogenous factor. And so what people have done is historians, like Christina Romer, perhaps the greatest economic historian alive, dug through all the tax bills and looked at the bills that were passed for exogenous reasons, so you could think of it as kind of like a random trial, or for endogenous reasons, like we are in a recession right now, so we need to do something. And then they looked at the effect of the exogenous ones, which are a true random experiment, and they tend to find really, really big effects of taxes. And this, again, is an experiment that has been repeated over and over. It is in the very, very top journals, the American Economic Review, the Quarterly Journal of Economics. It is Democrats and Republicans doing that kind of science and finding these big effects.

And so to say that there is no evidence of these big effects is just -- it is just false. There is a lot of evidence.

And, you know, you cited Bill Gale's paper on this. I was his discussant at a Brookings conference, and I don't know if there are members of the audience who were there, but I think that they are probably going to have to revise that paper after the discussion. The fact is that there is really exciting literature going on that makes sense, and, again, that is the part where I start to peel it back. So we have got models that say that we should get an effect that that is big and that we should if -- when we hike the tax rate like we just did, if the labor force participation for people late in their working lives goes down, which is exactly what we saw happen. And so things are really starting to add up and to line up.

And so what that means, I think, is that people of this committee should recognize that they have a great responsibility because if you do the right things, you could really have a big positive effect on growth.

Chairman Brady. And those tax cuts were for productivity, incentivize productivity, the labor force. That is key.

Mr. Moore, in your testimony, you talk a lot about how more and more American companies are being acquired by foreign companies because of our so anticompetitive tax system. Just first, it seems like every week, we are seeing a major announcement, including a local company that is headquartered maybe 2 miles from my own home. And so can you talk about what are the consequences of so -- to American workers and to the American economy of so many companies leaving, and what is the urgency for Congress to act now to stem that tide and actually incentivize U.S. companies to remain and grow and invest here in the U.S.?

Mr. Moore. So if you look, Mr. Chairman and members of the committee, to my chart 5 of my testimony, I think this is highly instructive. What this is showing you is the black dotted line is the U.S. corporate tax rate, Mr. Chairman, over the last 30 years. As you can see, we haven't changed it. It has been flat. Look at the red pillars. That is the average of all of the countries that we compete with. I think this is something like the 30 major OECD countries. And look at what is happening. The rest of the world -- Mr. Levin, you can call this trickle-down economics. You can call it whatever you want, but what is irrefutable is the rest of the world is racing to cut their corporate tax rates as fast as possible, and it has been happening relentlessly year after year after year.

And so we have a Tax Code, I would argue, Mr. Chairman, that in the late 1980s and early 1990s was actually competitive. We were below where other countries were. We are in a global economy. There is no putting the genie back in that bottle. We do compete against China and Mexico and Australia and Europe. And we were in a situation where we could sustain a 35-percent corporate tax rate because -- guess what? -- the rest of the world was higher than we were. Now the rest of the world, according to the latest numbers from the Tax Foundation, is somewhere between 24 and 25 percent.

So this is a 10-percent -- what I call this is a tariff that the United States is imposing than our own goods and services. How stupid is that? I mean, really. Why would we want to have a rate that is much higher than -- we put every one of our corporations at a 10-percent disadvantage. That is just -- look, if you cut me, I bleed red, white, and blue. I want a tax system that brings the jobs back to the United States.

Now, your point is very well taken, Mr. Chairman. How many companies do we have to see week after week after week after week leave the United States, whether you are talking about Medtronic, one of our great medical manufacturing companies; Pfizer; just a week or two ago, it was Johnson Controls. Walgreen's was talking about leaving. I don't know if they have left, but they've been talking about it. I could go on and on. Burger King, another example.

Ladies and gentlemen, how many companies have to leave before we take action? If you don't take action on this, Mr. Chairman, in the next couple of years, I guarantee you we are going to leave -- lose more American companies to -- and by the way, where are they going? They are going to Ireland. They are going to Canada. They are going to China. Ireland is 12.5 percent. We are at 35 percent. Mr. Chairman, we can't compete under that kind of tax model.

Chairman Brady. Mr. Moore, before I turn very quickly to Mr. Holtz-Eakin, we are going to make significant changes in the way we tax to move to a pro-growth economy. So should our goal be to make these changes to get to the middle of the pack of our competitors or to move to the lead pack, you know, those top, most pro-growth tax rates in the world? Where should we be setting our target?

Mr. Moore. So what I recommended in my testimony, and this was based on some analysis that I have done with Larry Kudlow and Art Laffer -- I know you are familiar with them -- and what we basically recommend is because we are very worried about the U.S. economy right now -- I think there is a threat of a recession. I am not saying there is going to be a recession, but we are in a danger zone right now. I think you all know that. We had in the last quarter, the numbers that came out, 0.8 percent growth. If you take out government growth, because you guys grew spending the last quarter, the private GDP was about 0.5 percent. That is getting really close to recession.

So what we recommend is a 15-percent corporate rate, which will bring us below the average. It will still be higher than Ireland and some other countries, but we will be below the average.

And we recommend two other things, Mr. Chairman. You ought to allow immediate expensing for all corporate capital purchases, and we ought to have a repatriation policy of a tax rate of -- we tried this in 2005. It was a big success. We raised revenue. We brought money back. Shareholders benefited from it, and it created jobs. If you would do those three things, I think you are putting a powerful punch into the economy.

Chairman Brady. All right. Thank you. And I apologize. I will be very brief.

Dr. Holtz-Eakin, you have done a lot of study on the Affordable Care Act, the impact, not just on patient care, but the economy as well, and the growth of the -- you spent a lot of time thinking about it. So I am going to -- in healthcare, on the tax side of the equation, what are the one or two reforms we could put in place to ensure access to affordable high-quality healthcare as well as to improve the economy, your recommendations to us, because this is -- will be part of our tax considerations as well?

Mr. Holtz-Eakin. Well, certainly I would urge the committee to look at all the taxes in the Affordable Care Act. It is, in my view, riddled with bad tax policy. Raising revenue in a fair and efficient fashion should be a standard that is applied to taxes in healthcare as well as taxes elsewhere.

In particular, I think the committee should look at what is the future of the Cadillac tax, which has now been put off for a couple of years? It is not very good tax policy. It is very complicated and onerous to comply with. It is not particularly fair. Someone in the 15 percent bracket gets some of their compensation taxed at a 40-percent rate. I don't really understand that. And you ought to consider alternatives which end an open-ended tax subsidy to health insurance that is bigger for more wealthy people and look at ways to get either a cap on the exclusion or a flat tax credit, some cost control incentives and help for lower income Americans in getting private health insurance. I think those would be important.

Chairman Brady. Great. Thank you, Mr. Holtz-Eakin. I appreciate the testimony today.

I recognize the ranking member, Mr. Levin, for his questions.

Mr. Levin. And, Mr. Moore, I very much agree with you that tax reform is going to have to be bipartisan. And we started that way here in this committee with working groups, and then Mr. Camp went in a different direction. He did come up with a proposal that was serious. It was essentially discarded by the Republican majority, but a flaw in it, and a very significant one, was the lack of bipartisanship in putting together the proposal itself.

You lose so many people in this country, Mr. Moore, when you say the previous repatriation effort was a success. It was a miserable failure. There is no evidence it created any jobs whatsoever. It maybe increased dividends. And for us to repeat that experience would be a terrible mistake.

I also think that you really sell short what happened during these last 7 years when you compare the crisis that was faced by this administration with the crisis that was faced by President Reagan. I am not saying it wasn't an issue, a problem. It was. I think a lot of the responses were not correct. But in any event, to compare the two is, I think, a serious mistake, and you really sell short what was endeavored.

I can remember hearing from the Bush Secretary of Treasury pleading with us to take action and saying there hadn't been a crisis like this since the Great Depression. And the majority of the votes for the so-called bailout in this House came from Democrats, talking about bipartisanship. So --

Mr. Moore. Look, there is no -- oh, sorry.

Mr. Levin. -- you lose -- you lose us.

Also, I think in terms of your chart about the recovery gap, early on after the Reagan tax cuts, they increased taxes just a year before I got here. And then we continued to increase some of the taxes during the Reagan administration. So about half of the tax cuts were essentially taken away.

But I would like, Mr. Bernstein, for you to comment on Mr. Hassett's claim that there is now some kind of some magic consensus among economists as to, for example, corporate taxation and supply-side tax policy in general because I think that is a figment of the economist's imagination.

Mr. Bernstein.

Mr. Bernstein. Yeah. I agree with you. And I would argue that my friend Kevin -- and I mean that, friend, not in the Washington sense; we really are friends. We write stuff together, so he is a colleague. But I think Kevin is misinterpreting that literature quite considerably, and I will explain why in a second. But I also wanted to clarify some of Steve's comments about the corporate tax, which I think are mostly wrong, but in one sense, we agree, which is that, in fact, as I said in my testimony, the corporate Tax Code really does need reform. And I doubt there are too many people in this room who wouldn't agree that a lower rate and a broader base would be a useful way forward, but I would also point out, as you suggested, that that is precisely what -- part of what former chair of this committee, Dave Camp, proposed, and that was DOA, so it is a little bit more complicated.

Another complicating factor is Steve mentioned inversions and talked about countries leaving to avoid paying 35 percent. Johnson Controls was paying a 19-percent tax rate. Now, that doesn't mean that they aren't going to go try to find a lower tax rate somewhere else, but let's not kid ourselves. Particularly when you are talking about multinationals, the 35-percent rate may be the statutory rate, but the effective rate, far, far lower.

The literature that Kevin mentioned does -- is by no means as widely accepted as he suggested, and in fact, the quotes that I gave you are quotes that tax experts from both sides of the aisle very much stand by. We disagree that anyone would retract the points that I made.

Was that you?

Chairman Brady. Yes.

Mr. Bernstein. Oh, sorry.

Chairman Brady. Time has expired --

Mr. Bernstein. Sorry.

Chairman Brady. -- Bernstein.

Mr. Bernstein. Can I make a quick point?

Chairman Brady. Yes.

Mr. Bernstein. Okay. Kevin cited Christine Romer's work suggesting that the administration's estimates were wrong; if they would have incorporated it, they would have been different. That is just patently incorrect. Those effects would have lasted for a year or two, never 6 years. And, by the way, the tax cuts that he is referring to, that Kevin is referring to, was a tax increase on a very narrow slice at the top of the income scale, people above $450,000. That is not what that literature refers to.

Chairman Brady. Remind me not to give you extra time. Okay.

Mr. Bernstein. Well, thank you for --

Chairman Brady. Mr. Johnson, you are recognized for 5 minutes.

Mr. Johnson. Thank you, Mr. Chairman.

A few weeks ago, my home town, Plano, Texas, was named America's best city to find a job in in 2016. And not a day seems to go by that some major company isn't moving into that area with new jobs, and there is a reason. It is because the Lone Star State's formula for growth, low taxes and fewer regulations, make a difference. As the chairman is well aware, Texas knows how to create jobs. It wouldn't hurt for folks in Washington to maybe look to see what is going on down there. Maybe it will work in the whole country. What do you think?

Mr. Holtz-Eakin, welcome. Does a slower rate of future economic growth mean for the economy -- what does it mean, and Americans' living standards, how will it affect them?

Mr. Holtz-Eakin. As I mentioned in my opening remarks, I think it is quite telling for the projected future living standards. Slower economic growth comes from two things: one, a slower rate of population growth, but more importantly, recent and projected productivity growth is very low. And that is where the living standard comes from.

If we push off into the future a doubling of the living standard every 70 years instead of every 35, we push the American dream further and further down the road, and that is simply something that makes me very concerned about the next generation and beyond.

Mr. Johnson. What are three things that we can do to change that, and can you list them in order of priority?

Mr. Holtz-Eakin. I picked the three that I think are most important in my testimony. I think the committee should continue to pursue a trade agenda. We know that the vast majority of income growth in the globe will be outside the U.S. Certainly the vast majority of consumers will be out there. I think it is an imperative that our workers and the firms they work in have access to those markets on terms that are fair and reasonable, and that is what a well-negotiated trade agreement can provide.

I think tax reform is very important. I will align myself more closely with Kevin on the benefits of good tax policy. They increase the efficiency of the economy and can spur economic growth.

And I think you should have to put entitlement reform on the table. Our entitlements are not serving the beneficiaries well. They need to be better. It is a disgrace to give someone a Social Security system that is going to go broke in 20 years. And they are feeding the red ink that is the problem with our budget.

Mr. Johnson. We think tax reforms are important too.

You know, at the end of last year, the total debt exceeded $18 trillion. It is now on track to reach $29 trillion in 2026. And we have deficits of hundreds of billions of dollars that are adding more and more to that debt each year. Some are suggesting that the deficit and debt are not a problem. Do you think our growing debt represents a threat to our economy?

Mr. Holtz-Eakin. Yes, I do. If you look at the CBO budget projections, which are what happens on autopilot, where nothing gets done, the deficit is about $1.3 trillion 10 years from now. $830 billion of that is interest on previous borrowing. Interest is growing -- net interest is growing at over 12 percent a year in those projections. We are borrowing today, our previous borrowing, that is just unwise. It is also unsustainable and dangerous to the economy.

Mr. Johnson. Thank you, Mr. Chairman. I yield back.

Chairman Brady. Thank you.

Mr. Rangel, you are recognized.

Mr. Rangel. Thank you, Mr. Chairman.

Mr. Moore, I was choked up to tears when you brought back the days of 1986 bipartisanship. And you have to realize at that time, Members talked with each other regardless of their party. And if somebody was saying that they wanted to have a tax cut or tax increase, people would say, "Why," not whether that is the party line. So I think you threw the ball in the court of the Members of Congress, but when you talk about our corporate tax cut being so high, it is my understanding that some 26 of the major Fortune 500 corporations pay no taxes at all, that General Electric had $27.5 billion in profit, and they got a refund in terms of it. And so the private sector, I really think, is the greatest impediment because those that have this extraordinarily unconscionable tax rate don't pay the tax rate. So they are that not coming in here screaming about reform, but you are not going to find any Democrat that doesn't believe that we should reduce our corporate tax rates, but it is hard to find Republicans willing to put their names on anything, no matter how much of a distortion of the Tax Code it is, if someone could say they increased someone's taxes. And so we have a problem in abusing each other with rhetoric.

And I think when we talk about whether or not we are using dynamic scoring or status current scoring, that it is a coverup for just saying cut taxes and not make it pain so much, but if we had people like you, Mr. Moore, that have been around the Hill and realize that a lot of the things that we do is because we don't want to have a label, but basically a lot of us, Democrats and Republican, know that compromise and working things out is the only way to get something done.

It is almost unlawful -- if I was to ask you to prepare a case as a representative for this country, say, for TPP, wouldn't you not say in order for that to be effective, that we would need infrastructure and that we would have to invest in it, and you could come up with some dynamic scoring as to how much the railroads and trains and planes would do, you could do it? If I was to ask you, what would make America great in terms of technology, couldn't you come up with some dynamic scoring that by keeping people out of jail and unemployed and having disposable income, they could buy and create jobs? You could do it. So I don't give a darn what economists call it. If we are not talking to each other, and dynamic scoring sounds like cheating to us, we don't care how rational it is. And if spending is something, even for the best of things, healthcare, education, building roads and whatnot, if that is going to mean that you can't be a good Republican, it doesn't work. So why don't the Chamber of Commerce and the Business Roundtable get rid of what is happening today and get back to 1986, where we would say, what did you mean by that, or can you change the language, or can you show what is going on, because the road that we are traveling is now the only people that are really not getting it are those people who had the hopes, the dreams that in this country, no matter what stage you are in, life can get better. And I don't see why the middle class is not considered good for America if you are rich or poor. If you are wealthy, you need middle America to invest.

And so I yield back the balance of my time, because you people who are testifying have to recognize, it is hopeless for us to talk with each other when you start talking about dynamic scoring because you are talking about tax cutting and you are not talking about paying for the tax cuts, but if you talked about education, infrastructure, and bringing closer -- ending the disparity in wages whether you are White or Black, Republican or Democrat, you are talking about what we used to talk about in 1986. And I wish we can get just some memory, as you have, of the days we have done that.

Thank you, Mr. Chairman.

Chairman Brady. Thank you.

Mr. Nunes, you are recognized.

Mr. Nunes. Thank you. Thank you, Mr. Chairman.

So I remain concerned that tinkering with the Tax Code is really going to have much of an impact at all because the income tax is just completely inefficient. The Congress picks winners and losers all of the time, and it is tough for us to get rid of all these winners or losers that we have picked over the years. And so I have long worked on a modified version of the X tax that I think most of you are familiar with, that does away with all of the loopholes. I think it is something that has bipartisan support, but because you are getting rid of essentially the income tax that has been in place for 100 years, we need to properly vet a proposal of that magnitude.

So my question -- and I will start with Mr. Eakin -- if this committee were to vet a modified X tax like the one I have proposed, what are the areas of focus that we should focus on as we review that proposal because if you make a change like this, you really are doing something that has never been tried globally before?

I will start with you, Mr. Eakin.

Mr. Holtz-Eakin. Well, I have -- I am a big fan of X tax style proposals, and they have some great efficiency virtues in that by expensing capital equipment, you equalize the tax treatment of capital investment, investment in skills and education because employers can subtract those. Because labor and capital are both expensed, your R&D, which is made of labor and capital, is expensed. You have now equalized the margins by which the economy grows: skills, physical capital, innovation. And we need to grow, and we need to make sure that we take the fastest route. I think looking at those and making sure those kinds of incentives are put in place are very important.

Second is, think carefully about the X tax's distributional consequences because one of the things I like about X tax proposals is it is essentially turning the tax system into a traditional style IRA. You get to subtract a contribution, deduct it, expense it, and then it gets taxed when it comes out equally, interest, dividends, capital gains, no distortion on that front. That latter, I like a lot, but what gets unrecognized too often is when you do it that way, if someone gets lucky, right, so you may invest in a company and the rest of the global competition gets wiped out through an earthquake, stock scores, you make a ton of money, we capture the windfalls in that kind of a tax system, unlike one where you don't get the deduction; you get to keep everything afterwards, a Roth style IRA. So I think that it is a better distributional system than is typically perceived.

And, finally, in the end, this is going to be a progressive consumption tax, tax on the consumed income base, I think that is exactly right, and -- but you are going to have to look at how it integrates with the low-income support system and the poverty network where you set thresholds to begin that consumption, can't be done independently of what we are doing with the social safety net and the work incentives elsewhere.

Mr. Nunes. Thank you, Mr. Eakin.

Mr. Hassett.

Mr. Hassett. Thank you for being a leader on this topic, Mr. Nunes, too.

You know, again, this is something -- and it goes back to what Mr. Rangel was saying -- you know, I don't think that my testimony earlier, for example, was about dynamic scoring. It was about thinking about if we do this, what happens to the economy. And I exactly applaud your analysis that if we are going to that, we need to do it for everything. So should we build a bridge is something we can analyze, like, what is it going to do to the economy if we build a bridge? The consumption tax is something, again, it is just completely resolved in the literature. You are a science denier if you don't recognize that --

Voice. Careful, careful.

Mr. Hassett. -- switching to a consumption tax is going to have positive effects on the economy. And it is very, very intuitive. The members of this committee need to understand, if you want to have higher consumption 5 years from now, where are you going to get the higher consumption? Well, you are going to have a higher wage, or you are going to have money in the bank. If you have money in the bank, then you could draw some of the money out of the bank or the interest on the money in the bank, and then you could use it to have higher consumption 5 years from now.

The same is true for the economy. We want our economy to have higher consumption 5 years from now, and this is all Americans, then we have to have assets that we can draw consumption from. And so if we have something like the X tax that Mr. Nunes has been working on for years now, then the way you avoid the tax is you save for tomorrow. And so then tomorrow, Americans across the board have more stuff that they can use to finance their consumption. And so it is not magic. It is not hokum. It is just simple arithmetic that if we encourage people to acquire assets, then they can have higher future consumption.

And so I applaud you, Mr. Nunes, for pursuing this.

Mr. Nunes. Thank you.

I know I only have 30 seconds left, that we are not going to get to Mr. Bernstein or Mr. Moore.

But maybe, quickly, Mr. Bernstein, I don't know if you have looked at an ex tax or not.

Mr. Bernstein. I will try to be quick.

I think both of my colleagues made many good points. I take both of their points about efficiencies therein. And I think Doug's point is really important about the distributional impacts of consumption tax on those who consume but don't save.

The only thing I would push back about Kevin's point is that, in fact, the price of capital is very low, it is very cheap, it is very excessive. That is not a binding constraint on investment right now.

Mr. Nunes. Thank you, Mr. Chairman. I know I am out of time, but, Mr. Moore, I look forward to getting your response maybe at a later date.

Thank you, Mr. Chairman. I yield back.

Chairman Brady. Thank you.

Mr. McDermott, you are recognized.

Mr. McDermott. Thank you, Mr. Chairman.

I have listened very carefully to the four of you for almost an hour now, and I have never heard the subject of student debt raised.

Now, I would like to talk a little bit about my own experience. In 1970, I was a physician. I came out of the military. I moved to Seattle. I bought a house for $35,000. I was moving into the future, right? Today, you have 41 million people who are carrying $1.2 trillion worth of debt, and it is putting a damper on our economy that none of you have even mentioned. It is surprising to me.

The average debt of a student coming -- 62 percent of the students in this country come out of college $35,000 in debt. Their money is going to go to that debt, not to buying a house in Seattle. And there is no way you can have that kind of debt and consider investing in the society. And kids are deciding now not to go to college because they can't see the benefit. Or I have kids in Seattle who are saying: I am going to Europe. I am going to Germany. I am going to France. I am going because college is free.

And what is hard for me to understand is how you can avoid seeing the impact. These kids get these debts not only for them; their parents sign on to the debt, which changes their ability to retire because they have this big overhang of debt that their kid is still carrying. Seventy-seven percent of kids in this country say student loans are a major obstacle to obtaining a mortgage and buying a house.

Now, if you want to talk about ObamaCare or EPA -- Mr. Levin because he had to go to a meeting about Flint, Michigan. That is what you get when you get rid of regulations. If those are what you think will stimulate the economy, when is somebody going to talk about the young people in this country who are dragging debt no matter what they do?

I worked on the Great Lakes every summer. I made enough money to pay for the whole school year. You kids work all summer now, you can't pay for one quarter. You can hardly pay for one course.

And so I would like to hear you talk about student debt. Do you think it makes any difference, what happens to the kids in this country? Or do you think, why should they have to pay 7 percent when businesses can borrow at the low rate, 1 percent, 2 percent, something like that? They can't renegotiate their rates?

We can't even get a hearing on a bill like that. I put the bill forward. I would like to hear you say what you think about student debt.

Let's start with you, Mr. Eakin.

Mr. Holtz-Eakin. So I think you said two important things that are fundamental to this. The first is you used to be able to work during the summer and pay a whole quarter or semester. The fundamental problem is not the debt or the equity investment in higher education; it is how much higher education costs and what some kids are getting for it. That is a value proposition, and that is the fundamental issue that has to be dealt with.

It is very similar to the kind of discussions we had back in 2006 and 2007 about healthcare reform, where there was a bipartisan agreement that we are spending too much on a product of highly uneven quality and there was an enormous amount of Federal subsidy going into it. The same conversation has to happen on higher ed.

The second is this hearing is about better economic performance. There is no segment of the population that has been hit harder than young people by the Great Recession and the poor recovery, and that has exacerbated the difficulties they have in these debt-financed college educations.

So, I mean, start with the fundamentals, and then figure out how we can target more effectively --

Mr. McDermott. Why can't we have the banks allow the rate to go down? Or why can't we get kids into the Federal system and finance it all from the Federal Government at 1 or 2 percent rather than doing it the way we are doing it now, which is --

[Phone rings.]

Mr. McDermott. Excuse me here a second.

Chairman Brady. If you are going to break into song, Mr. McDermott, we will need a warning on that.

Mr. McDermott. Why can't we have renegotiation of loans with banks for students? Just give me the answer to that. Why can't students renegotiate?

Mr. Holtz-Eakin. Private lending has been essentially taken out of the Federal financing of higher education, and so there are no banks to negotiate with. And the rates are set in law by Members of Congress, so I would --

Mr. McDermott. It is up to Congress to drop the rate --

Mr. Holtz-Eakin. -- get a mirror.

Mr. McDermott. If we drop the rate on taxation from 35 percent, maybe we could drop the rate on student loans to prime rate.

Chairman Brady. All time has expired.

Mr. Reichert, you are recognized.

Mr. Reichert. Thank you, Mr. Chairman.

Six years ago, President Obama set a bold goal of doubling exports by the end of 2014. I very much support the goal of increasing U.S. growth and creating jobs through increasing exports. Exports alone support 11.7 million American jobs, and the number of jobs tied to trade across the country has increased by over 110 percent since 1992. In my home State alone, this number is even higher. It is 129 percent, Washington State, the most trade-dependent State in the Nation.

And because of this, members -- as a member, one member, along with Pat Tiberi, who is not here today, and Mike Kelly, members of the President's Export Council, we have been pushing the administration to focus on new market access through high-standard trade agreements to meet this goal. Since that time, the administration has launched a series of negotiations that I hope will yield ambitious trade agreements resulting in more good-paying jobs in America.

I chair the Trade Subcommittee, so my question obviously will focus on trade. I am committed to strong oversight of these negotiations, including our negotiations for a U.S-EU trade agreement and working with the administration on a way forward on this Trans-Pacific Partnership that is winding up hopefully sometime in the near future. We must get this right, however. It is too important for our global leadership and economic growth not to.

So I noticed, Professor Holtz-Eakin, in your testimony, you mentioned trade as one of your key points in growing the economy. In fact, I think your statements were: It is crucial to economic growth. It increases market access, increases productivity, of course then leading to additional job growth in the United States.

Can you expand a little bit more on the importance of trade and how it plays that strong role in growing our economy? And then, also, I think it might be important to mention maybe some of the evidence that you have to support that statement.

Mr. Holtz-Eakin. So I think broad economic engagement with the rest of the world is central to our future. As I mentioned before, we know there are large growing markets outside the United States, with the vast majority of consumers and income growth there. I think it is beholden to the U.S. to provide our workers access to selling their skills in those markets on terms that are level and, you know, represent the best of well-negotiated trade agreements.

A good example of the kinds of things that go on with trade is: You think of in the nineties when we thought we couldn't compete in semiconductors anymore, right? It was all going to go away. We eliminated all tariffs. There was an agreement, trade agreement, to eliminate tariffs on semiconductors around the world. The U.S. didn't lose. It absolutely came back and has high-productivity, excellent semiconductors.

We can compete with anyone. The productivity pressures that come from trade generate productivity increases and allow employers to pay their workers better. That is why you get about a 20-percent bump in compensation in export-related industries and companies. And I think we ought to be consciously trying to, you know, pursue engagement all around the globe to get the right terms.

And as a practical matter, if you look back at the history of the GATT and the WTO, I would like to believe, as a Ph.D. economist, that the virtues of good economic policy drove that. It didn't. The reality was we also faced a threat in the Soviet Union. We knit together a Western alliance on both economics and security grounds to face that threat. We need to think that way in the 21st century, as well, and knit together strategic alliances on economic and other grounds. And these trade agreements are great ways to do that.

Mr. Reichert. Very quickly.

Mr. Hassett. Yes. The one thing about it, though, is that the two issues are very connected. So we for sure should expand as much free trade as we can. But if we don't fix the Tax Code too --

Mr. Reichert. Oh, yeah.

Mr. Hassett. -- what is going to happen is that they are going to produce the goods in Ireland that they sell to the place that we have the new trade deal with and that U.S. workers are going to be left behind, like they have been, because we are the high corporate tax place.

And so if we really want to be a force multiplier with trade, then we have to fix the Tax Code as well.

Mr. Reichert. I totally agree with you. I think they are indeed in partnership.

Finally, our committee considers policy ideas that will deliver growth and opportunity for all Americans. We focus on individual policies that are working, such as employee ownership. I want to thank Mr. Bernstein for his support of an ESOP bill that Mr. Kind and I are sharing together and proposing.

And I yield back.

Chairman Brady. Thank you.

And, Mr. Neal, you are recognized.

Mr. Neal. Thank you, Mr. Chairman.

Having served here for a long time, I have a pretty good institutional memory of some of the facts that have been thrown out here today. And the argument, conveniently, as we move from Reagan to Obama, left out Clinton and Bush.

So I am invited to the White House within weeks of George W. Bush's election with 11 others -- the one I can recall that was there for the record was Cliff Stearns -- and sat next to the President at the big table, and he laid out his plan for tax cuts. Paul O'Neill was there, and Vice President Cheney was there.

And the President asked me what I thought. I was next up after he made the presentation. And I said: Mr. President, why don't we stick to the position that we are currently on and offer modest tax cuts to middle-income Americans and continue to pay down the debt? Well, obviously, he didn't accept that suggestion because taxes were cut by a trillion-three in 2001 and a trillion more in 2003.

So we take the Clinton surplus, and, with the tax cuts, we direct them to people at the very top and argue that that is going to trickle down to people at the very bottom. And, now, as economists, you must acknowledge that it was very slow in terms of growth. The whole notion of the Bush tax cuts were to speed up growth. It didn't happen.

The Clinton position -- and Bush I, incidentally -- brought us to unparalleled prosperity of 23 million jobs, 4 balanced budgets.

So we continue here to argue over this notion that if you simply cut taxes for people at the top it is going to be great for everybody across the country. And there is very little evidence to support that conclusion, including the argument about tax cuts paying for themselves.

So you are talking to somebody who is very interested in using many of the arguments that you have all offered, because I read your stuff pretty faithfully, in trying to figure out a path forward with corporate taxes and personal income taxes which might put the country on a trajectory of pro-growth.

But I want to come to Mr. Bernstein for a moment, because I want to tell you, in western Massachusetts, the money that we used for rail with stimulus worked on the north-south line -- New Haven, Hartford, Springfield, and on to Vermont.

And as it relates to the Internet in rural western Massachusetts, where private companies looked at the opportunities there to extend high-speed Internet, they couldn't do it. We used that money for middle mile opportunities.

So, Mr. Bernstein, would you comment on those?

Mr. Bernstein. Yeah. This brings us to something we also haven't talked about which is really critical. If we believe -- and I am very much with you on this, Representative Neal -- that part of dealing with our slow productivity growth problem is greater investment in public infrastructure -- and you give a couple of great examples there -- we are not going to be able to do that if we butcher our revenue base by reckless tax cuts.

Now, that doesn't mean that every tax cut is a reckless tax cut. One of the things I haven't heard discussed here today is revenue neutrality. Any reform to, say, the business side of the Tax Code should have that as the lowest bar, but, as I said in my testimony, that is not enough. We are going to have to do better to make these investments that are so critical to our public goods and to our infrastructure that is too often deteriorating. You have managed to take the initiative in your State, and I very strongly suspect you are going to have productivity gains to show for them.

In context of some of the comments that have been made here, under Ronald Reagan -- and you will remember Steve's chart -- the GDP was going up very quickly. Debt as a share of GDP increased 15 percentage points, from 25 percent of GDP to about 40 percent of GDP. Okay? So you can't make the kinds of investments you need if your tax cuts leave you in such an indebted situation even amidst relatively strong growth.

The Clinton years, as you suggested, go precisely the other way: very strong growth, strong productivity growth, productivity growing a point and a half faster than it is growing now, really remarkable productivity growth, and budget surplus, not budget imbalance. What did President Clinton do? He didn't take the advice of the supply-side tax-cutters. Quite to the contrary.

So I think that the punch line of your comments is that, A, we have to invest in public infrastructure; B, that is going to take more revenues, not less; and, C, if we follow the supply-side tax problems, we are going to be ending up in the same Ronald Reagan/George W. Bush position of not having the resources to make those critical investments.

Mr. Neal. Thank you, Mr. Chairman.

Chairman Brady. Thank you.

Dr. Boustany, you are recognized.

Mr. Boustany. Thank you, Mr. Chairman.

I think what hasn't been said here yet is that America is an exceptional Nation. And I think all of us believe that in our heart. Most Americans do. I have seen it when I have gone down to a shipyard in Morgan City, where workers, those who are still working, have the pride in their eyes in the craftsmanship that they have been able to put together to build vessels. Same in Cameron, where we have oil rigs that are stacked, but some are still working to fabricate, to hang on to those jobs. And those are good-paying jobs, much better paying than the average. The fact is, workers, American families are hurting, and they are hurting bad.

I read the testimony last night, all of your testimony, and I can tell you, the charts, the graphs are depressing. Point-seven percent growth in the last quarter of the year? Absolutely depressing. I put it down. I picked up Ian Toll's first volume on the Pacific War, our actions in World War II, and read the chapter on Midway. And it gives me hope that we are going to come out of this, because Americans always face a challenge and we always have an innovative response. That is why we are exceptional.

We came out of the recession because we had a bump in exports and we had the shale revolution, and oil and gas production soared that helped us come out of that recession. And both are down now, as is consumption, manufacturing -- all the indicators for our economy. We have to change it. That means understanding what is going on with trade and leading, as Mr. Reichert just talked about. It is about restoring growth, because we cannot restore American leadership without economic growth. Trade is key. We have to retool our Tax Code. I mean, right now, American companies are really struggling because of the Tax Code.

And on the international side, whether it is the BEPS coming out of OECD, the hostility coming out of Europe on State aid, the adverse merger and acquisition activity, if we don't do this with a sense of urgency, we are going to lose. We need to understand the linkage between trade and energy. And we just opened up LNG exports and the potential for crude oil exports, but none of these things are going to solve that broad problem until we embrace this energy sector and understand how we retool our energy strategy to fit the 21st century. These things will make a major difference.

My State of Louisiana understands this, but the Washington dysfunction here, the lack of a political will, and the lack of the understanding to sit down and have a real conversation about these issues and how we solve these things is what is holding us back. We have to take the bull by the horns here and start solving these problems for the sake of this country.

I just want to focus, with the little bit of time I have left, on the international tax side of things. And I alluded to it with the urgency in which we need to approach this. But economic growth and prosperity and the well-being of American companies doing business all over the planet links directly back to the welfare of American families.

I think you guys -- would you all accept that concept? I think it is pretty intuitive.

So if we don't stop the loss of major U.S.-headquartered companies -- I mean, were are hemorrhaging this. We have had several of them just in January, major, high-profile ones, not to mention the lower-profile cases, and the fact that U.S. companies can't even compete in a merger and acquisition market today. We are losing in the global game. We have to stop it.

Do you agree that this loss is felt all the way down into small communities across this country, whether it is suppliers or service providers that are linked to that economy, or even those that may not have that direct link, because of the drain on our economy, it is having an impact?

Mr. Holtz-Eakin?

Mr. Holtz-Eakin. I think this is a national tragedy. And you look at the Budweiser-InBev merge. Headquarters leaves St. Louis for tax reasons. You know, Budweiser was, the Anheuser-Busch brand was that town. And what happens to the Boy Scouts, the Girl Scouts, you know, the opera, anything like that, the suppliers in the local area? If you lose the headquarters, you start to lose the R&D. If you lose the R&D, you lose the manufacturing.

We are losing the headquarters in every international merger and acquisition. We simply can't compete. We have gone from being the global economic predator to the prey. And this is not going to stop until the Tax Code gets changed. There is just no way around that.

Mr. Boustany. Others?

Mr. Moore. You know, I just want to touch on something you said about energy. We just did a study that finds that the value -- I mean, look, the shale, oil, and gas revolution -- you hit it right on the nose. Without the shale, oil, and gas revolution, we would not have had an economic recovery. It had nothing to do with the economic recovery. Just look at the statistics. On net, all of the new jobs that were created from 2008 through around 2013, 2014, all of the net new jobs were in the shale, oil, and gas revolution. This is what bailed us out.

Now, we are in a situation today because of these technologies -- and, by the way, the technologies are getting better and better and better every single day. We have a massive lead over the rest of the world in this industry.

Now, here is what is amazing --

Mr. Boustany. We don't want to repeat the same mistakes we made in the seventies with that technology.

Mr. Moore. You have it exactly right. But let me just throw out one statistic, if I may, to you. The value of American oil and gas at current technology, the recoverable oil and gas -- and that has more than doubled over the last 10 years because of these new technologies -- the value of that is $50 trillion -- $50 trillion to the U.S. economy. This is the single biggest priority we have as a country. We are sitting on a treasure chest of $50 trillion of assets. And this is under Federal public lands.

Now, Mr. Chairman, this is an important point. What is the value to this of the taxpayer? You are talking about how we are going to pay for all these tax cuts. I will tell you how you are going to pay for it. We drill. And we have leases, and we have tax payments, and we estimate that the value of this asset to the Federal Government is about $3 trillion in tax payments and leases and royalties.

Why don't we do that? If we need revenues, why don't we drill for this oil? I mean, we have a President --

Mr. Bernstein. Oil is $30 a barrel. Do you want more supply?

Mr. Moore. We have --

Mr. Bernstein. It makes no economic sense.

Chairman Brady. All time has expired.

Mr. Moore. It does because --

Mr. Boustany. Thank you, Mr. Chairman. I appreciate --

Mr. Moore. -- the price of oil isn't going to stay at $30 a barrel.

But the point is this: that we have a President right now who says, keep this $50 trillion asset underground. It is one of the dumbest policies. It is almost unpatriotic to say we shouldn't be drilling for our assets when you are talking about jobs that pay $80,000, $100,000, $150,000 a year.

Chairman Brady. All time -- thank you, Mr. Moore. All time has expired.

Mr. Moore. Sorry.

Chairman Brady. We went over just a bit on that one. We will take it out of Mr. Roskam's time.

Mr. Doggett, you are recognized.

Mr. Doggett. Well, thank you so much.

I am all for taking the bull by the horns, but not just for more bull, of which we hear a lot in this committee.

I am pleased that Dr. Holtz-Eakin has been unequivocal in his prior testimony to the committee on one point with which I fully agree.

And that is your comment, Dr. Holtz-Eakin, that, quote, "I have never believed that tax cuts pay for themselves." That remains your position today, does it not?

Mr. Holtz-Eakin. Yes, it does.

Mr. Doggett. And while there may be other reasons for supporting what this committee approved back in December in a massive tax cut approving so many tax expenditures that were made permanent, you do not disagree with the Committee for a Responsible Federal Budget, on whose board you recently served, that when you consider the interest cost and everything of borrowing the money rather than paying for those provisions, it added about $830 billion to the national debt over 10 years.

Mr. Holtz-Eakin. I actually haven't seen their publication, but I think we know from the CBO baseline, which incorporates that, that that is the position we are in.

Mr. Doggett. That is right. That is about what the CBO estimated, as well. And, indeed, about $2 trillion added to the national debt over the next two decades.

And I think the problem is that, while everyone on the committee enjoys the opportunity to vote for a reduction in taxes, as our former chairman Dave Camp found, there are not very many people that want to vote to pay for those revenue reductions. And as a result, tax reform -- and I think this will be true of the international tax changes, some of which I support, that Chairman Brady spoke about yesterday -- tax reform is just another way of saying: Cut taxes, borrow more money to fund whoever has the strongest lobbying team here.

Now, the stated purpose of this hearing is to provide pro-growth policies that deliver opportunities for all Americans. I think that would be something new in this committee, because, in fact, the way we have created so many loopholes and advantages for the advantaged in the Tax Code, it has played a major role in fostering inequality in this country.

If you look back as far as 1965, the average corporate executive was being paid a salary that was 20 times that of the average worker, and today we know that is closer to 300 times the average worker. And yet this committee continues to support, a majority of it, a taxpayer subsidy for multimillion-dollar executive bonuses.

A major factor contributing to inequality in our country, the inequality that is concerning people of differing political philosophies today, is the Tax Code and the way it has been altered to benefit the few.

Mr. Doggett. A second factor that is important to note here is that there are things that might be done to encourage America's competitiveness other than just changes in taxes.

And so if there is an issue about how to provide more young Americans an opportunity to get all the education they are willing to work for, how to train our workforce so that people that lose one job have a chance of getting a better job, every dollar that we would invest there, that has to be paid for under our budget rules by cutting something else.

But you can go on a spending spree with tax expenditures and never pay a dime. And that is what the Congress did in December, and that is what is being proposed for this year as well.

Dr. Bernstein, specifically with regard to those corporations that renounce their citizenship and decide to reincorporate in name only abroad to avoid paying their fair share of American security, do you support the concept of an exit tax similar to that that applies to individuals who renounce their citizenship in order to dodge taxes?

Mr. Bernstein. Yeah, I think the exit tax would be a useful idea. It would build on some of the efforts of the Treasury Department, which are constrained because they can't write legislation as this body can.

And, in fact, I think you made an important point in passing there that often gets left behind. We talk about these inversions as if companies are moving everything overseas. I agree with my fellow panelists that we lose too much when headquarters are moved. But, in fact, oftentimes they are just moving their tax mailbox, as far as the IRS concern, booking profits in other countries with lower tax rates.

And it will be a kind of race to the bottom if we try to do that, especially if this body follows a kind of CutGo, as opposed to PAYGO, where not just spending cuts have to be offset but tax cuts as well.

Chairman Brady. All time has expired.

Mr. Doggett. Thank you, Mr. Chairman.

Chairman Brady. Thank you.

Mr. Roskam, you are recognized.

Mr. Roskam. Thank you, Mr. Chairman.

Mr. Holtz-Eakin, can I ask you to give us some insight from your previous assignment as Director of the Congressional Budget Office? And here is our frustration. We have had a discussion about growth and so forth and the characterization of dynamic scoring and static scoring, and it is sort of a shirts-and-skins argument on that. But can you give some insight to a frustration that I have?

So there is significant waste, significant fraud, significant abuse. The fraud numbers, for example, in Medicare blow your mind. The fraud numbers in EITC blow your mind. We are talking billions and billions and billions a week. And yet, when there are legislative proposals that CBO is asked to score, they come up with this catch-22 sort of thinking, and that is: Well, that is going to cost money, the remedy is going to cost money, and therefore you are not going to save money.

Can you give us some insight into this ridiculous catch-22, only-in-Washington-D.C. approach? And, more specifically, how can we fix this? Because this is just too absurd for words.

Mr. Holtz-Eakin. Well, we have certainly gone to the weeds, sir, and your fellow committee members will regret the hearing.

Okay. So there are a couple different things going on. First, the basic act of scoring says enactment of the legislation causes something to happen. So that, in this case, involves some sort of implementation of recoveries or antifraud or something in the executive branch. If that linkage isn't firm and secure, CBO cannot and will not score it. So that is one issue to check.

Second, in its wisdom, Congress set up rules for the budget committee and CBO that basically said you cannot simply appropriate a dollar to the IRS and say, "Go collect some money," decide that they will collect a dollar and a half, and then go spend the extra fifty cents. This was essentially a way to rein in -- and I say this lovingly -- the appropriations committees from simply appropriating money that they could then spend more.

That particular decision meant that anytime you spend money, which is what you are frustrated by -- you are spending some money, but you think you are going to get something back -- you have to demonstrate that the money in the legislation delivered to the agency a new tool not previously in existence that will in fact improve recoveries or prevent more frauds. And the new-tool test is the thing that is driving you crazy. If you are just giving them more money to do the same thing, you don't get any credit for recoveries and the like.

And that is a --

Mr. Roskam. What is the remedy? Is it reformation of the Budget Act? Is that where this --

Mr. Holtz-Eakin. Yeah, I mean, there is a big need for a reform of the Budget Act. It is long overdue. You know, it is 50 years old almost, and there are lots of things about it that need to get fixed. And those kinds of things are incredibly frustrating because it does stand common sense on its head.

Mr. Roskam. That is gentle, "stands common sense on its head." I am with you.

Mr. Holtz-Eakin. Well, that was my job. I am a professional --

Mr. Roskam. It denies gravity.

So, Dr. Hassett, there was an interesting interchange that you had with Mr. Bernstein a couple of questions ago about interpretations of the new tax literature. Could you just respond to that?

Mr. Hassett. Yeah. Jared asserted that I am making some kind of mistake, and I can promise that I am not. And I can, you know, meet with Jared, who is a close friend. We have written papers together, which means he has written at least one good thing in his career.

But I am happy to run through. I mean, again, you can just -- the staff can grab the articles that I cite in my testimony and have a look at what they say.

Absolutely, the idea that if you have an incentive for something that you get more of it and if you have a disincentive for something that you get less of it, you know, should not be a contentious idea. The question then is, how much?

And it sort of befuddles me why someone would say that, you know, you could have much higher taxes but not create any disincentives, not cause any harm. And the zero position on that is something that I don't think is really defensible in the literature at all. And that seems to be where Jared is.

So he is not only saying that I am incorrect when I just, you know, am reviewing the literature with citations, but he is making a point that I don't think that there is a good citation for. In fact, the article that he does cite in quotes leaves out a bunch of the papers that they just don't like the result of, apparently.

Mr. Bernstein. Can I respond quickly?

Mr. Roskam. Quickly.

Mr. Bernstein. Yeah. The articles that I quote are just articles from the tax literature as well, so this is a debate.

But I will say I think Kevin is wrong both on the facts and the theory, because when you raise a tax, yes, you will lead someone to say, "Gee, I want to work less," on one side, because this is called the substitution effect, but also they might say, "I want to work more because I now have a lower after-tax income. I better put in more hours." That is called an income effect. Both of those --

Chairman Brady. All time has expired.

Mr. Bernstein. -- are theoretically germane.

Chairman Brady. Thank you.

Mr. Smith, you are recognized.

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

And thank you to our panel. This, I believe, is a very important hearing. A lot of moving parts in our economy, certainly, across the country. I represent a constituency in Nebraska, and some of the States around us, we have had fairly strong economies throughout a lot of this time, although we are still affected by the weaker national economic recovery that we have experienced the last 7 years.

Dr. Holtz-Eakin, you have done a lot of work on the ObamaCare, ACA, whatever one wishes to call it. Nebraska had the first collapse of a co-op -- CoOportunity Health it was called -- the first of the community-oriented and -operated health plans created by ObamaCare. That was the first to collapse. Eleven additional co-ops have collapsed, out of the 23 created. And, obviously, that has an impact, leaving a lot of folks without the coverage that they were promised, or perhaps they were moved over to that against their preferences.

But now we also have reports of major insurers, such as UnitedHealth and Humana, leaving the health exchanges. And I would say these are major losses and certainly contribute to what seems to be a growing dissatisfaction of the outcomes of ObamaCare.

And I was just wondering if you might comment on what we might expect, economically or other dynamics out there, as a result of these new developments, newer developments, in ObamaCare.

Mr. Holtz-Eakin. I think there is good reason to be nervous about the stability and future of the exchanges under the Affordable Care Act.

The reality is that enrollments grew however quickly you might want to think and then have just leveled off. We know that the people who buy health insurance first are those that need it the most, and the insurers' losses have proven that this is an expensive population, more expensive than anticipated. The co-ops, who had the dual handicaps of being highly inexperienced and using someone else's money -- bad incentives always -- have gone out of business on those losses. The major insurers, the Blues and others who have done this for a long time, are losing money in a big way.

And the future is sort of in doubt. One possibility is these are simply -- they are going to try to raise premiums in the traditional fashion and drive people out of exchanges, and they go into a death spiral. I doubt that Congress has the ethic to throw more money in and just turn these into glorified high-risk pools, where expensive people get subsidized to get their care.

I think it is a deep concern. It is a budgetary concern. It is an insurance concern. And it is certainly a healthcare concern, because when people lose their insurance, as they did when the co-op collapsed in Nebraska and Iowa, they have to change provider networks, and this is always a bad thing for outcomes.

So we are not in a good situation, and it is not obvious what the next step is going to be.

Mr. Smith of Nebraska. So, from a consumer standpoint, what do you think consumers should see on the horizon? Perhaps any changes that they should expect or try to plan around?

Mr. Holtz-Eakin. The thing they face most imminently is higher premiums. I mean, these insurers are losing a lot of money. There is no other place to go than to raise premiums. So we have seen sharp premium increases already in the benchmark silver plans, and we have seen the kinds of disguised premium increases that come with narrower networks, higher copays and deductibles. That is the imminent threat.

The bigger problem is insurers leaving. United has said they may leave. Aetna is talking about leaving. That diminishes their choice. There is a lot of evidence that with diminished choice comes less competition and higher premiums yet.

So, in my view, whatever you thought of things when it first passed, it is not evolving in a very beneficial way for consumers in the individual market.

Mr. Smith of Nebraska. Thank you.

Mr. Moore, I know you have done a lot work on the national economy, and I certainly appreciate the graphs that you have submitted here. What kind of national impact do you think, national economic impact, we should see on the horizon because of the failures of ObamaCare?

Mr. Moore. Did you say the national impact of ObamaCare?

Mr. Smith of Nebraska. Yes. Economic impact.

Mr. Moore. Look, I am not an expert on health care, but I do think one of the things I would recommend to you that would be a stimulus to the economy would be to lift the 50-worker rule. I can't tell you how many times I talk to employers, probably you know people in your own districts, who say, "I will be dammed if I hire a 50th worker." Because what you have created is a cliff. Once you hit that 50th worker, not only does the insurance mandates apply to that worker but every one of your employees. So I would raise that to 200, 250 workers.

Look, we still have a lot of unemployed Americans in this country. Why in the world would we pass a law that actually encourages employers to hire fewer workers? I never really could understand the logic of that. I mean, there is a term for this now that is going around the country among employers. They call themselves "49ers." I am not talking about the San Francisco 49ers. These are companies that have capped their employment. I bet every one of you in your districts knows employers who have come to you with the same problem. We ought to fix that right away.

Chairman Brady. Thank you.

Mr. Smith of Nebraska. Thank you.

Chairman Brady. All time has expired.

Mr. Thompson, you are recognized.

Mr. Thompson. Thank you, Mr. Chairman.

Thank you to the witnesses for being here.

You know, I don't have the institutional memory that my friend Mr. Neal has. I haven't been here that long. But I do remember very precisely the night that I was in then-Speaker Nancy Pelosi's office when then-Secretary Paulson came in to tell her that things were so bad with the economy, if we didn't act immediately, that our entire economy was going to implode.

So it just strikes me that to talk about not recovering quick enough, that the recovery hasn't been as robust as it should have, I don't think that that is particularly an honest assessment of what happened. We have not been in a situation as bad as we were on that point in our tenure here than the Great Depression.

So the fact that we have been able to bring back incredible private-sector job growth, the investments that we made in infrastructure -- I have had companies in my district tell me, had it not been for the little bit of investment that we have given these people to repave streets and highways, they would have closed their businesses, they would have lost their businesses. That investment, I believe, was very worthwhile.

Now, fast forward to today, when we can see firsthand what a lack of investment in infrastructure is doing. Look at Flint, Michigan. The ranking member had to leave to go to a meeting on that. Children have been poisoned because we have not made the investments in infrastructure that we need to make. So not only did we lose the jobs and the economic growth that would have been brought about because of that investment, this is going to cost us dearly in the long run.

Also, the talk today about tax cuts and the fact that we are even discussing going down the road of passing more tax cuts that are unpaid for I think is frightful. The idea that we can just run up the debt, we should all be concerned about that. And Mr. Doggett mentioned it earlier. We have just gone through this. We passed a massive tax expenditure package that is going to add to our debt and is going to become a greater drag on our economy.

Now, like most of my colleagues here, I liked a lot of the tax policy that was in that package. As a matter of fact, a couple of the bills that I voted against were my bills because they -- I voted against them because it was not paid for and the drag that would have on our economy.

And the last point I want to make is on the issue of employ stock ownership plans. I have a number of those in my district, and I have a number of other people who would like to get those going. I am particularly interested in the idea that it would reduce wealth inequality, as was referenced in your article, Mr. Bernstein. And I think it is a great way to move forward something positive. It doesn't cost us any money, doesn't add to the debt, puts more people to work.

And talk about looking into the eyes of your workers. The company Recology in my district, it is a municipal waste and recycling company. And when I go in to meet with them, they sit around that conference table, and you have mechanics, you have truck drivers, you have recycle gatherers or picker-uppers, and they are just very, very proud of the fact that they own part of this company. And I think we could do a lot more to improve our economy.

So, Mr. Bernstein, I would appreciate hearing from you on those things.

Mr. Bernstein. Well, I won't repeat my findings because you very much nailed them, so thank you for that. The only thing I would add is that the other thing I have found is that in companies that have employee stock ownership programs the wage distribution tends to be considerably more narrow than in companies that don't. So it is not just that they are providing their folks with some capital in terms of retirement security, but also paying them, typically, well also.

I have a couple of seconds. If it is okay, I would like to reference this discussion that just came up on the Affordable Care Act. And I am particularly interested in --

Mr. Thompson. I think we are going to repeal that again today, appropriately since --

Mr. Bernstein. Well, that would be a huge mistake --

Mr. Thompson. -- today is Groundhog Day.

Mr. Bernstein. -- based on the slides. First, just two things. I have 30 seconds.

One is, Steve's point that somehow there has been an increase in involuntary part-time work because of this 50-hours rule is directly contradicted by the data, which shows, in fact, part-time work -- involuntary part-time work is what we would expect if people are being forced into part-time work -- is falling sharply. And I show that in figures 4 and 5.

In figure 6, I show projections by the CBO that show savings of up to 3 percent of GDP based on costs of major health programs that have been --

Chairman Brady. Thank you, Mr. Bernstein.

Mr. Bernstein. -- at least partly associated with the ACA.

Chairman Brady. Thank you. All time has expired.

Mr. Paulsen, you are recognized.

Mr. Paulsen. Thank you, Mr. Chairman. You know, this hearing couldn't come at a more critical time, a more important time. The testimony has actually been really sobering, but it has also been really, really instructive.

And it is true, when the President came in, we were in dire financial straits, a tough situation. But the fact remains, we have the worst economic recovery ever in the history of our country. We should be doing a lot better. The worst on record ever.

And it is no wonder, actually, 72 percent of Americans today still think we are in recession right now. Median household income has actually dropped for the first time ever, also, during an economic recovery. So paychecks have dropped, wages are flat. And it also took nearly 5 years just to get back to having the same number of people working again than when the recession first started in December 2007. That is the longest period of time to return to the starting point in any recession, actually, also in American history.

So, with that in mind, it is really critical, it is really important that we use every tool at our disposal -- fixing a broken Tax Code, expanding markets overseas -- to make sure that we are helping everyone achieve the American Dream and getting our economy back on track.

So I want to go back to some of these international tax reform points and why this is so critical, from my perspective, because you mentioned Medtronic, Mr. Moore, for instance, a Minnesota company. It is just one of many companies that we have heard of changing their headquarters, moving it overseas, for instance. Since 1982, my understanding is we have had 51 inversions, I think, that have taken place, but, actually, 20 of those inversions have happened since 2012. We have three in January of this month alone. And so the trend has accelerated.

And, actually, probably the real story is not the inversions but it is going to be the acquisitions of American companies by foreign competitors over time. And that is when you move the headquarters, you move the innovation, you move jobs overseas. So, in an iPod world, when you can move capital at the click of a mouse, we should be addressing this.

So my question is this. I will start with you, Mr. Moore. Do you believe that we should also look at doing international reform as a downpayment to the broader reforms that are needed, that are tough, that are challenging to get bipartisanly done, that we need for this Congress, but should we move forward on that, to making sure that we are addressing this competitiveness issue rather than a tax avoidance issue?

Mr. Moore. You know, the thing that is remarkable about this issue is that, you know, when President Obama took office, he had a tax reform commission that was headed by Paul Volcker, who headed the Federal Reserve. And the Obama committee, or blue ribbon panel, basically said all the things that we are saying about the corporate tax: that it is chasing businesses and capital out of the country, that it is creating a competitive problem to the United States, and we ought to do something about this.

And that was back in -- I don't remember the exact year, but it was 2009, 2010. It was certainly in President Obama's first term. Here we are 5 years later, and we are still having this conversation. Why haven't we done something about this? I mean, how many companies have to leave?

Now, look, maybe we have to have -- I would favor just cutting the corporate rate right now to 15 percent. And, look, if we have to borrow to do it, do it, because that is going to bring jobs back to the United States.

But if you want pay-fors, I will just give you one example. I mean, one of the atrocious add-ons to the tax bill that you all passed last year was this indefensible credit for the solar industry. And we know what happened with that money. So you gave about a half a billion dollars to the solar industry, and we know what happened. All that money got capitalized into value of the shares of companies like SolarCity. So all you did was you spent $500 million of taxpayer money to the shareholders of these companies. I mean, my goodness, how is that good tax policy?

Let's find those kinds of loopholes and credits, get rid of them, and get that rate, Mr. Chairman, down as low as we possibly can before more of these companies leave.

Mr. Paulsen. Mr. Holtz-Eakin, some critics of moving to an exemption system for foreign earnings argue that it is some sort of zero-sum game and that any increase in investment abroad leads to a decrease in domestic investment here. You know, there is strong evidence that when American companies expand into foreign markets it helps the domestic economy.

Mr. Holtz-Eakin. You are exactly right. I mean, the evidence is these are complementary, not zero-sum substitutes, that if you invest abroad, you expand your domestic employment investment as well. That is an important thing to remember.

I think there are other important things to just frame this issue. Right now, the discussion is entirely defensive. "How do we hold on to our companies?" We really should be on offense. We should want every company to locate here. We have some existing inbound investors, fully a fifth of our manufacturing base, and these are, you know, high-paying, good jobs. We want people to invest here. They are not going to do it if we remain the highest tax country in the developed world and retain our system of worldwide taxation.

The chart that Mr. Moore showed about the rate coming down is one thing. The second thing that has happened is, basically one a year, the OECD countries have moved away from worldwide taxation. We are the last ones left. So there must be some magic secret that we have hidden away in the West Wing that makes this a good idea when everyone else has given it up. And that is a place to worry.

I would also worry not just about the corporations but about the entrepreneurs tax through the passthroughs. One of the striking features of the recent data is the firm death rate for the first time has gone above the birth rate. We have seen the drop in firm startups be so dramatic that we are losing more firms than we are giving birth to.

I would worry about all the things that affect entrepreneurs. It is tax, it is trade, it is the regulatory burden. There is no single lever. But we have a problem in our business community.

Chairman Brady. Thank you all. Time has expired.

Mr. Marchant, you are recognized.

Mr. Marchant. Thank you, Mr. Chairman.

When I go back to my district and have townhall meetings, the subject that comes up most frequently is the national debt. Whether it is young people, older people, people on Social Security, it is the inevitable subject that always comes up.

I would like all of your opinions, each of you to make a comment. What effect does the size of our national debt and the lack of a plan to reduce it have on our current economy? And what effect will it have on the ability of us to have a future growth economy? And let's just start with each panelist.

Mr. Holtz-Eakin. So the current trajectory for the debt is unsustainable; it is explosive. That is bad for the economy right now, because if you are any rational investor from anywhere around the globe and you look at the U.S. and you say, okay, within a decade we are going to get to the point where basically all borrowing is to pay interest on previous borrowing, that is a very dangerous place to put my money or hire my people.

Because only a couple things can happen: You can raise a lot of taxes. The terms on that are going to be low. You could not do something and end up in a big financial crisis, a sovereign debt crisis. That is a terrible growth strategy. Or you could get the budget under control with some sensible spending reforms, but that is only one of three things that is a good thing.

So it really damages the image of the United States as a place to start and to expand businesses. And that, I think, should be troubling to everyone right now.

We may stabilize the debt, but we are at a very high level. And if you do that, you are baking in a lack of flexibility in the budget, because you are paying a lot of interest costs every year that could be devoted to the annual appropriations or some other pressing national need. There is an inflexibility as a Nation; you are exposed to interest rate shocks, and you are going to have to manage that in a global economy.

So you give up a lot of the flexibility you would like to have, both as a budget entity and as a nation, by locking in at a high level. The best thing to do is to have a trajectory that stabilizes and then goes down, and that would be something that the committee should be looking for.

Mr. Marchant. Mr. Hassett?

Mr. Hassett. I can be quick.

There is a big literature that suggests that when debt relative to GDP -- this is just gross debt -- gets above about 90 percent, then you get pretty slow growth. If you look at the forecast for the debt in the U.S., then it is easy to see about 1 percent lower growth every year because of the high debt that we have over the next 30, 40 years. And that is something that we need to get out in front of or we are going to have that low growth.

It is one of the reasons why, you know, 2 percent might actually be better than we can achieve. Because I don't think that those forecasts that we are looking at now that we are depressed about are fully incorporating the negative effects of the high debt.

Mr. Bernstein. So I don't think the negative effects of the high debt are nearly as visible as Kevin's comments would suggest. For example, debt is high right now, and interest rates are very low, have been very low, and probably will be very low for a long time coming. So it is more complicated than that.

That said, I think Doug's point about the future is very well taken. And I don't think we are going to achieve a sustainable path unless we, and I guess I would argue you, accept that there is going to have to be spending cuts, which we have done a lot of already, but also revenue increases, which I think is just anathema to Members of this body. And we will never be able to achieve a sustainable path if people are unwilling to yield on that point.

Mr. Moore. So I guess I am the outlier here. Look, the debt is a result of low growth. Low growth is not caused by the debt. If we get this economy growing at 3-1/2 to 4 percent, where we should be, we are really not going to have to worry so much about the debt because the debt is going to fall both in terms of getting to a balanced budget and also, what we care about, the debt as a share of GDP.

So I would urge you all to concentrate about what do we do to get growth up, because growth up will reduce the burden of the debt. I mean, Jared is right; we have the lowest interest rates in 50 years.

My problem with what we did in 2009 is not that we borrowed; it is just that we didn't get anything for the money. I mean, yeah, we borrowed a lot in the 1980s, but look what we got. We got tax rates down that caused one of the strongest expansions in the history of our country, and we defeated the Soviet Union, we won the cold war. That is a pretty good investment of $2 trillion to do those two things.

I look at the economy now, and I look -- we borrowed $8 trillion in 7 years. What have we got to show for it? Solyndra? People on food stamps? People on unemployment benefits? I mean, there is just no lasting benefit to what happened when we did this.

And I just want to go back to this one quick point, that, look, people keep asking, "Gee, what if we hadn't done what we did? What if we didn't have the massive $8 billion bill?" And we know what would have happened if we didn't, because this was a chart that was prepared. These were Jared Bernstein's own numbers. We have a higher unemployment rate than we would have had, according to Jared, if we hadn't borrowed all this money.

Chairman Brady. Thank you. All time has expired.

Mr. Blumenauer, you are recognized.

Mr. Blumenauer. It has been so long, I forgot where the button is.

Thank you, Mr. Chairman. And I appreciate the diversity of opinions and the attitude that is being taken here this morning. I think this is important, and it has been useful.

I appreciate Mr. Bernstein's work on ESOPs. I am going to defer, I think, to my friend Mr. Kind, who might want to talk about it, but I think those are such a powerful tool to stimulate economic growth and to align the interests of workers and the corporation in a very powerful way.

I appreciated what we heard from Mr. Moore, talking about the 1986 spirit of cooperation and what happened in this committee with some disparate attitudes from people who -- Reagan and Tip O'Neill. I would note that out of that compromise there was a significant increase in corporate tax rates, an increase in capital gains. There are some lessons there about the package that can be put together, and I hope we have a similar flexibility moving forward.

In particular, I would go back 4 years earlier, when Ronald Reagan and Tip O'Neill raised the gas tax a nickel a gallon, and we got some things for it. And that was done on a cooperative, bipartisan basis, raising a user fee, not raising the deficit.

I am hopeful that we might be able to exercise that same spirit of cooperation and bold thinking that isn't actually so bold -- it is Eisenhower, it is Reagan, it didn't used to be controversial -- in terms of the use of user fees rather than the gimmicks that we used this last year for -- I am glad we have a 5-year reauthorization. We have a little bit of money; we have 5 years of certainty. But it is not on a sustainable basis going forward.

I have shared with this committee before and I hope the committee, Mr. Chairman, might be able to at least spend a day looking at revisiting how we used to do it and listen to the broad consensus across interest groups -- the U.S. Chamber of Commerce, the AFL-CIO, truckers and AAA, environmentalists, the people who are involved with road construction and other infrastructure -- to look at something that is broadly agreed upon that would make a difference going forward.

And, frankly, I think we raise the gas tax to abolish the gas tax, because it is not sustainable, going forward, to base on gallons of fuel consumed to finance the underpinnings of our infrastructure.

And there is a better way. This committee has had legislation before it, which luckily got included in the reauthorization, to allow the pilot project that we have in Oregon to deal with road user charges that would be fairer, more sustainable, and would enable us to fine-tune the charge to be able to deal with things like congestion and maybe the lower costs in rural and small-town America. So it would be fairer, raise more money on a sustainable basis, and get rid of the gas tax, which is increasingly unrelated to road user benefit.

But my question -- and, Jared, maybe you would like to comment. What impact would it have over the next decade if we took that spirit of Ronald Reagan and Tip O'Neill and raised the user fee in a sustainable fashion in terms of putting Americans to work at family-wage jobs across the country and having something to show for it

Mr. Bernstein. Well, I will just reflect back to my comments to Mr. Marchant a second ago. I don't think there is a way forward that doesn't involve some compromise on this point. We can't achieve a sustainable budget simply by spending cuts. And, in fact, if you look at the nondefense discretionary side of the budget, where so much important spending goes on in issues like law enforcement, homeland security, education, research, public health, veterans medical care, that is slated to fall to its lowest share on record as a share of GDP by next year.

Mr. Blumenauer. Help me, Mr. Bernstein, on infrastructure.

Mr. Bernstein. And so on -- yes. So the tax on gas, on a gallon of gas, has been stuck at 18.4 cents in nominal terms since 1993. Now, in what kind of fantastical thinking can we pay for our roads, can we upgrade our roads on a tax that hasn't been updated in 20-plus years?

Chairman Brady. Thank you. All time has expired.

Mr. Reed, you are recognized.

Mr. Reed. Thank you, Mr. Chairman, and thank you to the witnesses.

Opening comment here, it has been interesting listening to the comments of my colleagues on the other side as well as the responses from the witnesses. And it is just ironic that I hear often about the glory days of the Clinton administration. The Clinton administration policies enacted a glorious budget surplus and economic growth, and that is all due to the Clinton administration. But yet when we talk about the Obama administration in this present economy, of course, it can't be the Obama administration's policies that are causing this slow-growth economy. It has got to be all Bush No. 43, and we all blame it on prior -- on Bush. So I think what we are hearing here is a lot of rhetoric, a lot of politics. You know what? I am sick and tired of that.

What I am interested in is some real solutions from this panel as we go forward with some reforms that we all know need to be done. Obviously, we have a broken Tax Code. The Tax Code has to be fixed. I see that there is potentially a road ahead for us to do that, but is there something to be done in 2016 in regards to comprehensive tax reform? I am always the eternal optimist, but let's be realistic and maybe we downsize our expectations here a little bit and focus on something maybe we can do, and that is international tax reform. As we deal with international tax reform, we have had some conversations with the White House. We have had some conversations with folks on the other side of the aisle and other side of the Chamber in the Senate about a real need to fix this issue. And I think we all agree that that problem is in need of fixing, and I think there is a bipartisan, bicameral effort to potentially tackle this, but one of my concerns -- and I am a strong voice for U.S. manufacturing. I am a strong voice for U.S. manufacturing. I do believe we can make it here to sell it around the world again. That is something I have adopted in my office, and I firmly believe that opportunity is before us. And so as we go through, we look at U.S. manufacturing, what two-thirds of our U.S. manufacturers on a pass-through status, being taxed on the individual side of the coin. I am interested, a sincere interest, from the panelists, as we do international tax reform and as we look at potential reforms on that front with our international corporate entities in particular, what can we be doing at the same time in a 2016 horizon that you guys could potentially offer us in regards to those pass-through entities, the two-thirds of the U.S. manufacturers that are in need of tax reform just as much as the international tax component of the Tax Code that is in need of fixing?

Is there anything, Mr. Moore, that you could offer? And then we will just go right down --

Mr. Moore. Well, it is a great question. I mean, look, you are right. Most of our companies are small businesses, and they pass this through -- and medium-sized businesses. So there is some thought about, you know, if we are going to cut the corporate tax, we should cut the tax on small businesses at the same rate. I am in agreement with that. I just think the emergency is so great on our corporate system, that I just want to get it done right now. That is my -- and let's deal with that issue later. And that is sort of the way I feel about tax reform generally. I mean, there is nobody -- I have devoted 30 years to this issue of tax reform, so there is no one who wants it more with more urgency than I do, but I think we have got an emergency right now -- we have talked about this all morning -- about getting that corporate tax -- and, look, to the Democrats in this room, yes, we as Republicans are going to have to give up some of the things that we want to get this done.

I mean, we are not saying it has to be our way, but this was done, Mr. Rangel. You know it. You were here in this room when it got done. And I loved what you said, by the way, in your opening statement. I mean, I think you and the chairman should get together for lunch and figure this stuff out. Maybe you do need to talk more because I agree with almost everything that you said.

Mr. Reed. Well, Steve, reclaiming my time, but I am really looking at, how can we take care of potentially an immediate concern that the pass-throughs, the U.S. manufacturers, the small businesses? Because one of the things I am concerned about is I come from rural western New York, and we have got a lot of people. And I go back to my home district. I am here on behalf of them. And I understand the concern on the international side, and we need to fix it. I join in that effort, but I want to do something for them, and I want to do something for them right now.

So what can we do, Mr. Bernstein --

Mr. Bernstein. So I won't talk about this, but the strong dollar is making life very hard for our manufacturers, and --

Mr. Reed. I agree with you.

Mr. Bernstein. -- I take your point about the inherent competitiveness. Instead of fighting over every one of the hundred tax deductions and expenditures in the Tax Code, I am all about closing the loopholes. We should limit those deductions and expenditures to 28 percent instead of the top rate of 40 percent. I think that would both improve efficiency, again, shut down subsidies and loopholes, and raise half a trillion dollars over 10 years.

Mr. Reed. Mr. Hassett?

Mr. Hassett. You know, I think that something that you guys could do this year would be just to -- you know, Mr. Rangel, you said that we have got this high corporate tax, but none of the guys are paying it. You should experiment. If you cut the rate by 2 or 3 percentage points, you are not going to lose revenue. It is going to help American business. It is going to help American manufacturing. And the pass-through entities would see the rate reduction and change corporate form. It costs a couple of hundred bucks --

Mr. Reed. Do it across the board, rate reduction for everybody.

Mr. Hassett. Yeah.

Mr. Reed. My time has expired. Thank you.

Chairman Brady. Thank you.

Mr. Pascrell, you are recognized.

Mr. Pascrell. Mr. Chairman, I listened very carefully to your introductory remarks, and you touched upon what we would be doing in terms of tax reform and welfare reform and health reform and trade expansion. And then I heard a lot of numbers go this way and then a lot of numbers come this way, and I said to myself, well, we have had smart people there like yourself before who said pretty much the similar, same kinds of stuff: How come we can't get this done? And my contention is that it has very little to do with the numbers because we all can make a case. We are all good lawyers when it comes to it, even though we are not lawyers all of us. You know, we need fact checks upon ourselves. We need fact checks. All of these scholars, I think they are good people. I have heard them testify, most of them, before. They have got a lot to say, a lot of good things to say. But you take the case of the threshold -- since you are talking about the future and the economy -- the threshold of the Affordable Care Act of 50 employees, you know, let's take that as an example. In 2014, 2014 alone, the number of workers employed part-time for economic reasons declined by more than 1 million. The greatest increase in involuntary part-time work came in 2008, and Obama was not the President, was not the President.

So you painted -- my good friend, Mr. Holtz-Eakin, you have painted a beautiful picture of the apocalypse; apocalypse II, it is all going to come down on us. I mean, maybe you are preparing us for the next recession, which you should be doing, part of your job, I think, but I think you need fact checks. You need them, and we need them. And then we could come to a conclusion together.

We are not going to do -- we have so many redos since we passed plan D and prescription drugs. Talk about the economy. It is not a major part of this big picture that we are dealing with -- what is the future budget going to look like? -- but it is a good thing to go back to. Democrats lost on that issue, if you remember. We lost at 3 o'clock in the morning, 4 o'clock in the morning. We lost on the issue. We campaigned against it. I went to senior citizens to tell them to -- I had to tell senior citizens why I am going to vote against this thing, even though it is going to maybe help them with their prescription drugs, pay for them. And then we found out what had happened in that 3:30, 4 o'clock in the morning and what it meant. Now, I didn't go back to my constituents, I didn't go back to my constituents and tell them: We lost, but we are going to fight this now.

No. I went back to my constituents and said: I fought the good fight, and we lost. Now we are going to have to make this situation work.

When has that happened in the past 8 years? When have you come forward with anything good to say about the economy? You would think -- you know, we got -- we have employed more people than all of the European countries put together since this great recession, depression, call it whatever the heck you want to call it. When have you ever come forward and said, "Housing is better now than it was in 2007, building new housing"? When have you ever -- I have never heard it from the other side, and a lot of these guys and gals are my friends. I have never heard it from them, ever. Why? He did some good. We have done some good. And we have done the best when we work together.

So you can have all the numbers you want. You can have all the numbers to present, et cetera, et cetera. And I -- you know, on page 11 in your report to us -- Jared, you said something about the carried interest, and I think it is like a little mirror to this whole mess, carried interest, about how unfair that is when you are trying to deal with the economy, when you are trying to have fairness woven into the process, how important that would be, what the results of that would -- that is, what, $16 billion over 10 years, and it is not going to change the history of mankind, but it is just one example. Why can't we even get to that, when I know there are people on the other side that want the same thing we want? So when we are talking about budgets and future budgets, we are talking about not only numbers; we are talking about attitudes and altitudes.

Chairman Brady. Thank you, Mr. Pascrell.

Mr. Pascrell. You are welcome.

Chairman Brady. Your time has expired.

Mr. Kind, you are recognized.

Mr. Kind. I thank the chair's courtesy. The dais kind of bends over here, and I get tucked away a little bit, but I want to thank the witnesses for your testimony here today.

And, Mr. Bernstein, let me start with you and just pick up on a line that Mr. Thompson was questioning you about. And I want to commend you for the recent article that you wrote on ESOPs, entitled "Employee Ownership, ESOPs, Wealth, and Wages." I believe for a long time that can be a tool when it comes to addressing income inequality.

Representative Reichert and I have had this ESOP modernization bill pending before this committee.

Mr. Chairman, I think that would be a very nice vehicle for us as a committee to move forward on. It doesn't cost anything. It makes it easier to convert to the ESOP model. I have visited a lot of the ESOP shops in my congressional district and throughout the State. And, you know, the pride of ownership, the productivity, the loyalty, all these factors coming into play, so I commend you for the article.

And I would ask unanimous consent, Mr. Chairman, at this time to have that article included in the record.

Chairman Brady. Without objection.

[The information follows: The Honorable Ron Kind]

Mr. Kind. Thank you.

And another point that some of my colleagues have raised too, and that is the eagerness -- and it is a concern I share -- it is the eagerness for this Congress to support tax cuts that aren't paid for and that are not offset and the potential damage it can do for our fiscal solvency as a Nation at a time when we have got 10,000 boomers retiring every day in this country and joining Social Security and Medicare. And I know politically it is one of the easiest votes to cast is a tax cut that is not paid for, but there are consequences to it.

We heard testimony earlier today from this panel talking about the beneficial effect of the Reagan tax cuts, but what was failed to be mentioned was the eight subsequent tax increases that followed that initial tax cut in order to deal with the exploding budget deficit that resulted from that decision.

There was also talk about the idyllic 1986 tax reform moment where there was bipartisan support for reducing individual rates, but what was failed to be mentioned was it also entailed one of the largest business tax increases in our Nation's history at the time to help pay for a lowering of those individual rates in that 1986 reform bill.

There has been testimony about what other nations are doing to lower their corporate rate, but what was failed to be mentioned is those same countries are dialing up their VAT in order to replace the lost revenue that they are experiencing from a reduction of the corporate rates. We don't have that luxury in this country, other than going after loopholes and expenditures within the Tax Code that we should be willing to go after and deal with that inefficiency in the Tax Code.

And yet last December, this Congress again passed an $800 billion permanent tax change to the Code without a nickel of it being offset, and as Mr. Doggett pointed out, that is $2 trillion over 20. And a few years ago, we had permanency of the Bush tax cuts, 95 percent of what was made permanent in the Tax Code. It is a multitrillion dollar expense that our country will be suffering because, again, that was not offset. And this administration shares some of that blame. They have given up more baseline revenue funding in their 8 years in office than any previous administration has to this date. Even the Bush administration sunset his tax cuts to 10 years in order to make the budget scenario look better, even though at the time, everyone kind of knew that once you do it, it is going to be permanent at some point in the future.

There is a cost, especially with the aging demographics of this Nation, that we are not addressing. And I just caution this committee to stop going down this road of delivering more tax goodies without any offsets, without any pay-fors. We have got to be more fiscally responsible for future generations than that.

And I am also -- and I think someone else mentioned it, but also, we need to have more testimony, more hearing about the type of investments we have to be making in the human capital of this Nation, not just corporations, not just businesses, but human beings.

And, again, Mr. Bernstein, let me end it with you, and I want to thank you for the recent article you just published in the Washington Post about the missed opportunity of --

Mr. Bernstein. You are reading all my stuff. I --

Mr. Kind. I am sorry, but it is jumping out at me for some reason, but --

Mr. Bernstein. That is great.

Mr. Kind. If you want to, you know, pick that up just a little bit about that missed opportunity to --

Mr. Bernstein. Absolutely. First of all, on the ESOPs, let me just make one point about employee stock ownership programs. I think the Tax Code actually incentivizes ESOPs plenty as it is. What I would actually do, and I have talked to numerous employers, you have probably have too, who are interested in starting ESOPs, but don't see the way forward, don't understand how to do it, think it is complicated, think it is expensive. I have recommended an agency, a small agency within Commerce that helps people who want to do that, just give them advice, and I write about that in my piece.

Look, on investment in human capital, the piece I wrote yesterday that you are referring to talks about the return on investment in early childhood education. We can talk about early childhood, or we can talk about pre-K, quality pre-K. According to a really pretty careful analysis, Kevin talked about controlled studies, ideas where you look at the intervention on one group first that got the intervention, another group that didn't, we are talking about returns on investment that are as high as $8.50 for every dollar invested when these kids grow up. We are leaving large amounts of benefits on the table here and a lot of kids behind.

Mr. Kind. Thank you, Mr. Chairman.

Chairman Brady. Ms. Black, you are recognized.

Mrs. Black. Thank you, Mr. Chairman.

And I want to ask my question to Mr. Holtz-Eakin. Some say that the deficit and the debt are not a problem. And I hear that from people, and it just drives me crazy because if you were in your own household building up the kind of debt that you had in the deficit and looking, by the end of -- at the end of the last year, our total debt passed that $18 trillion mark. When I say this to my constituents, it is really hard to even fathom what that is because when I talk about trillions, it sounds almost like it is fictitious. The CBO now tells us that it is on track to reach $29 trillion by 2026. We should all be concerned about this when we talk about the economy.

Do you think our growing debt is a threat to our economy?

Mr. Holtz-Eakin. I do. That trajectory turned level and forward is unsustainable. Something has to change. And how it gets changed is the central question. The first question is sort of, what you do? Do you get the debt to go down, or do you just, you know, get it stabilized somehow? I would argue against stabilizing it because even now we are spending over $200 billion a year on net interest with interest rates relatively low. Everyone on this committee can think of a good use of $200 billion to meet national needs. So locking in high levels of debt locks in high commitments for interest and crowds out other budgetary activities and/or returning the money to the private sector.

The second issue is suppose you don't stabilize it, and then, you know, you have got ever higher taxes. You know, you don't have to be a raving supply-sider to recognize how dangerous that is. Again, deficit out there at the end of 10 years, $1.3 trillion. Suppose you wanted to just close the deficit. Do we really want a trillion dollar tax increase to do that? So you are going to have to take on some combination of activities, or if you don't, you know, private enterprise, either domestically originated or looking in from outside, is going to say: This is an unappetizing place to do business; we are going to go elsewhere.

Mrs. Black. So if you had your way today, where would you say the first reform would be that we should start looking at to help to at least begin to solve this problem?

Mr. Holtz-Eakin. So the sad reality is that it is going to have to be in the area of the entitlement programs because all the budgetary work that has been done to date in recent years has focused on the discretionary side. That has never been the problem, and I think recent history has suggested the caps that were written into the Budget Control Act were unrealistic. On two occasions already, the Congress has undone them.

So let us to go to the real problem. The problem is mandatory spending programs: Social Security, Medicare and Medicaid, Affordable Care Act, go down the list. Many of those have a big demographic component so they are going to rise inexorably with the baby boom, so speed is of the essence. And, you know, all of them are going to require a lot of careful consideration on both sides of the aisle to get it done. I mean, so I hate to say it, you know, you got to go do entitlement reform, but you do, and it is going to be difficult, and doing it fast is important.

Mr. Moore. Let me make a quick point on this.

Mrs. Black. Mr. Moore.

Mr. Moore. I am, obviously, for the kinds of reforms that Doug is talking about, but the focus of this hearing was on, what can we do to improve the economic growth of the country? And Doug probably knows these numbers by heart better than I do, but let me put it simply. If we keep having 2 percent growth, you can't get from here to a balanced budget. You just can't. The numbers, it doesn't matter how much you cut; you are not going to get it to a balanced budget with 2 percent growth rate. We have to get to 3 to 4. And I think we actually, given that we have been in such a growth rut for such a long time, I don't see why we couldn't strive for 5 percent growth. If you do that -- now, you probably know these numbers better than do I, Doug -- every percentage point increase in growth over a decade is, what, another $2 trillion or something?

Mr. Holtz-Eakin. Every tenth of a percent is about $300 billion.

Mr. Moore. How much?

Mr. Holtz-Eakin. If you get a whole percentage point, you could get $3 trillion.

Mr. Moore. So that is why this is such an important hearing. You know, we need to concentrate obviously on spending control, but we also have to get that growth rate up to at least 3.5 percent.

Mrs. Black. So that would be the second part of my question, actually, that you picked up on. In the growth, we can't just grow our way out of it. We do have to look on the spending side and --

Mr. Moore. What I am saying is it is a precondition.

Mrs. Black. Absolutely.

Mr. Moore. It is a necessary, but not sufficient.

Mrs. Black. And so the question on that, with my 35 seconds left, which we are not going to have an opportunity to discuss, is the whole issue of taxes. And as I tell people at my town hall meetings at home, if I can give you more money back in your pocket, what are you going to do with it? And, without exception, everybody in the room -- mostly females, but the males also -- say, I am going to spend it. And if you spend it, that increases the opportunity for another job. And if somebody has another job producing a product, that means that we are going to actually spend more money and bring in more revenue. So this whole thing about, well, reducing taxes really doesn't help, yes, it does because if I put a dollar back in your pocket, most people are going to say, "I am going to spend a dollar," which means production of another product.

So thank you, Mr. Chairman.

Chairman Brady. Thank you.

Mr. Davis, you are recognized.

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

Mr. Bernstein, you testified that our economy demonstrates solid labor market trends and that our entire poverty policies have helped reduce poverty over the past few decades. However, there remain groups of Americans who are not yet experiencing this economic recovery. For example, the University of Illinois, Chicago's Great Cities Institute, recently found that almost half of African-American men ages 20 to 24 in Chicago are neither in school or working. Alarmingly, this rate is higher than other racial and ethnic groups in Chicago and also is much higher than their peers in other large cities, such as Los Angeles and New York City.

Let me ask you, what policies would you think are needed to help strengthen the economic well-being of these Americans who are not yet benefiting from the economic recovery that we talk about?

Mr. Bernstein. Well, thank you for asking that question and bringing into this hearing, I think for the first time, a significant group of people who have been very much left behind. And these kinds of problems, deep disconnection from the overall economy, occur in neighborhoods across the country.

I think what would help them most directly would be a job saturation program where direct job creation combined with a human capital program to help these folks improve their skills would really deal with a fundamental problem in these areas, which is they are job deserts. Even when we are competing -- even when we are increasing employment throughout the country, there are areas of the country that remain essentially deserts in terms of job creation, and there we have a market failure. And when the market fails, the public sector has to step in and make up the difference. And when I say "job saturation," I am not just talking about a job or two; I am thinking about a deep investment in direct employment opportunity coupled, again, with a human skills investment program as well.

Mr. Davis. Well, let me thank you for that. And I also believe that we can look at improving TANF in a way that might add another opportunity in terms of subsidizing some of the jobs that are indeed created and also providing benefits to individuals who are childless, who don't necessarily have children, in terms of earned income tax credit and making use of that as a way of stimulating work for this group.

Mr. Bernstein. Yeah. I very much agree with you. And by the way, no less than my colleague Doug Holtz-Eakin down there, who is on the other side of the aisle, who mentioned the importance of expanding the earned income tax credit to childless adults, something that I think there is some bipartisan support for.

In terms of TANF, you raise a really important point. Here is a program that was block granted back in 1996 and where welfare reform arguably had some positive results. What happened there was a real disinvestment in this program vis-à-vis helping some of the most disadvantaged families with children. Back in 1996, right at the point where welfare reform was passed, 68 percent of poor families with kids received some benefits from the program. Now that is just around 20 percent. Only 8 percent of TANF funding goes to the basic assistance with childcare and work activities of the type we have talked about. So we have to be very careful and not go down this block granting, or what Congressman Ryan calls opportunity grant program, where we really disinvest in precisely the kind of investments that the neighborhoods that we are talking about so desperately need.

Mr. Davis. And let me ask you quickly, there are still individuals suggesting that the Affordable Care Act is going to decrease jobs and work opportunity and eliminate jobs. Do you see any possible way that that happens as a result of the Affordable Care Act?

Mr. Bernstein. Well, I can only speak about the data record on this, the empirical evidence, and the empirical evidence shows that anyone who is claiming the ACA is a, quote, "job killer" -- you unfortunately hear those two words all too often -- really has nothing to stand on. We have already talked about the job -- the overall labor market improvement, which I think has been very strong, but I also pointed out that there has been no increase in involuntary part-time unemployment, as Steve's model would predict. In fact, quite the opposite, and at the same time, there has been a clear increase in healthcare employment.

Mr. Davis. Thank you very much.

I yield back, Mr. Chairman.

Chairman Brady. Thank you.

Mr. Kelly, you are recognized.

Mr. Kelly. Thank you, Mr. Chairman.

I thank the panel for being here.

I heard one of my colleagues talk about being here when Mr. Paulsen came into the Leader's office and talked about the economic crisis. I remember that. I wasn't here. I was actually back in my dealership trying to figure out what the economic crisis meant to me because I had payroll to make. And there are many times -- and most of us in the private sector have made sure that the people that work with us got paid, and we didn't get paid.

But today's panel and the discussion was about economic growth. And I know we get too political in these things, and we don't talk enough about policy. You all study that, and you know what is going to make a difference. And, Steve, I have listened to you, and Mr. Bernstein, Mr. Hassett, Mr. Holtz-Eakin, I mean, I really wanted to hear from you today. I don't need any more stump speeches, quite frankly. I have lived it. And I spent more time on the blacktop than a laptop, so nobody has to tell me about theoretically how things happen.

When you put more money into the pockets of consumers, they spend it. That is what gets the economy going. People are not leaving this country because they hate it. They are leaving because it doesn't favor them anymore or offer them opportunity. That is ridiculous in America. And I am constantly concerned about it. And there was a cartoon I remember when I first came out of college that we had posted in the back office, and it said: The beatings will continue until morale improves.

And I think just put that into the private sector and then constantly be beat up every single day because of your greediness, the fact that you want to do something with your money that the government doesn't agree with.

So, Doug, between all of you, other than tax reform, and I am talking about complete tax reform, how are we going to grow our way out of this? There are opportunities all around the world. I would love to see us keep our base and then grow our opportunities. In a country that is awash in so many assets, the only thing missing right now is leadership to get us back to there. So if you can. There are only 3 minutes left, and I really appreciate you being here, but this is so basic. We should -- this is like figuring out how many angels you can fit on the head of a pin. It is right in front of us how to fix it. We talked about energy. We talked about all the things we have going. Doug, and, please, and if you all can just go down through it. We have to get this fixed.

Mr. <u>Holtz-Eakin.</u> Yes. And you have heard my list before. The one thing that hasn't been discussed that I would emphasize is genuinely taking on the regulatory burden imposed by the Federal Government. At the American Action Forum, we read and follow every regulation issued by the Federal Government. We take at face value the cost the agencies themselves generate for what it will take for a private businessman to comply with them. In the past, a little over 7 years, the agencies have issued a final regulation at the rate of over one per day, and the cumulative regulatory burden is over $800 billion, as reported by the agencies themselves. That is basically $100 billion a year in disguised taxes.

Mr. Kelly. Just real quickly, would you please, for people who don't understand this, where do all those costs get transferred to?

Mr. Holtz-Eakin. They are going to show up as lower wages, higher prices, or people going out of business.

Mr. Kelly. Amen. It is the price on the shelf when you are all done. I don't care if it is taxes or regulation; it gets added on to the finished product or service, which makes it harder for people to consume it, which makes it harder for us to compete in the global economy. This is a Forrest Gump moment. There ain't no fixing stupid.

Mr. Holtz Eakin. So I would encourage everyone to take a look at that. You have a lot of oversight in this committee on places that issue some very expensive regs.

Mr. Hassett. Mr. Kelly, here is one way to think about your question. Would you like to go to Greece right now and start a business? Well, you can think: Well, you know, there probably aren't a lot of people starting businesses in Greece, and so if I brought some capital there, maybe I could make some money. But if you look at how busted the government is, then you can more or less be sure that if you started to have a successful business, then at some point a few years from now, they are going to take it out of your hide with higher taxes, and so you don't go. You don't think -- like none of us in this room are thinking: Hey, let's all go to Greece and start businesses. Their business formation is low, so it is a great opportunity for us. It is because you are looking at a country that is fundamentally broke. If you look at the CBO long-run outlook for the U.S., we look like Greece not that far from now. And so if you want to --

Mr. Kelly. A lot more zeroes.

Mr. Hassett. So other than tax reform, what can we do to create growth? We need to make ourselves a place where people, you know, basically want to go there and start a business --

Mr. Kelly. Kind of like selling cars.

Mr. Hassett. -- because they are optimistic about the future.

Mr. Kelly. Yeah. Yeah. It is kind of like selling cars. Right product, right --

Mr. Bernstein. I am on the other side, but I have an issue -- an argument you might like here, which is, what about a minimum tax on foreign earnings? If that was set at an adequate level, firms could repatriate their earnings without further U.S. taxation. That is an idea the administration has put forth. I think Dave Camp had that idea as well. So a minimum tax on foreign earnings, I think would help get around a lot of this nonsense.

Now I will argue with you very quickly, which is if you give a dollar to a very rich person, they won't spend it. So that has been shown time and again. They will save it. Now, that is not a bad thing, but I just want to correct the record on that point.

Mr. Kelly. Steve.

Mr. Moore. Boy, you know, when I was at the Wall Street Journal, we used to talk to CEOs of the major American companies, you know, the great men and women who lead our companies, and, you know, the story of this half-baked recovery is this: businesses are making money. The stock market has done great over the last 5 or 6 years. It hasn't done so well recently, but it has been a huge -- and that is because companies are profitable. And we would always ask these men and women, why -- where the things have broken down in the economy is they are not reinvesting that money into the economy the way that they used to, at the rate that they used to. And we would always ask them -- now this is just, you know, anecdotal -- but almost every man and woman we talked to when we asked them, "why aren't you reinvesting," they said they are afraid. And then we would ask them, what are you afraid of? And think of what they have lived through: ObamaCare, tax increases on the rich, you know, massive increases in debt. All of these things have just pounded businesses down, so they are in a kind of state of hibernation right now. They are not spending. We need to get them to start spending and hiring again. And part of this is just attitudinal. Let's start treating businesses like they are good things rather than villains.

Chairman Brady. Thank you. All time has expired.

Ms. Sanchez.

Ms. Sanchez. Thank you, Mr. Chairman, and thank you to our witnesses for joining us today. This hearing feels like it is becoming a perennial favorite, which I think is very fitting for Groundhog Day. The committee now gathers at the beginning of each calendar year for the Republicans to decry the terrible economic decisions made by President Obama that have supposedly sent this country spiraling into a bottomless pit, while the Democrats on the committee point out some hard facts, such as the following: 70 consecutive months of private sector job growth; 14.1 million jobs created; the longest consecutive private sector job growth in our Nation's history; 18 million people who now have health insurance after ACA implementation, many of them my constituents, by the way.

So here we are again for our annual meeting of what I like to call fact versus fiction. And I will at least give the majority credit for not inviting a witness here to testify today who submits overly sexist testimony like last year. At least that is a tiny step in the right direction.

But more to the topic at hand, do I think that our economy is perfect today? Absolutely not, but we are far from barreling off a mountain into oblivion. And I know that that is not popular with the panic merchants on our panel today who are peddling the narrative that "oh, my God, the sky is falling, the sky is falling."

I want to echo some of the sentiments made by many of my Democratic colleagues on the issue of wage stagnation in this country. Hard-working families are overdue for a well-earned raise, but I would note, again, just as I did at this same hearing last year, that there continues to be a whopping zero Republican cosponsors on the bill to raise our Federal minimum wage. And if Mrs. Black were here, I would like to ask her: How's that for putting a dollar in the pocket of a working person who would spend it? Let's think about raising the Federal minimum wage. What a novel concept.

We have a tremendous opportunity to improve the economic conditions for working people all across the country. And the eternal optimist in me, despite everything that I have heard today, isn't ready to throw in the towel yet on fighting to ensure that the improvements that we make to our economy are felt by everyone, not just those at the very, very, very, very, very top of the food chain.

Mr. Chairman, I know you have spoken a lot about your desire to focus much of this year on overdue international tax reform, but I hope that those efforts are not going to be done in a vacuum that forgets and disadvantages our domestic manufacturing sector because we need a level playing field in tax reform, and tackling this effort piecemeal is not the way to go, or we will harm our own manufacturers.

Finally, with the rest of my time, which is short, I would like to turn to one of the biggest potential economic benefits to this country, and that is the economic benefit of comprehensive immigration reform. And just for a refresher, immigrants in this country are people who invest back into our communities by purchasing things like homes and school supplies, and starting businesses in many blighted areas. Half of the people who are living here in an undocumented status have been here for at least 10 years waiting patiently for a pathway to citizenship so that they can pay their fair share of taxes and contribute even more to our economy.

Our failure to act on comprehensive immigration reform means that we are effectively walking away from economic growth that could also help improve the long-term financial standing of our Social Security trust fund.

So in the last minute that I have left, Mr. Bernstein, given your policy expertise and your work, could you provide me with your thoughts on the issue of comprehensive immigration reform and why that isn't seriously being talked about today as a potential economic growth factor?

Mr. Bernstein. I will not only do that, but I will tie in some of the other issues you raised, in your what I thought were just a great set of commonsense comments there.

By the way, I think you will find a lot of friends on this panel on the question of comprehensive immigration reform.

The idea that the economy -- I mean, the fact that the economy is growing more slowly than we like -- we all share that view -- is partly constrained by labor supply. Labor supply is growing more slowly than it used to, and that is a very direct factor into economic growth. This is well-known. And, in fact, if you look at projections as to what is slowing the economy down, it is diminished labor supply is, even more so than slower productivity growth, the main culprit. So CIR, comprehensive reform, in that spirit would very much attenuate that constraint.

Now, if we are going to have more folks here, some of them are going to be low-income workers, disproportionately women, by the way, and therefore we need to raise the minimum wage as well awesome of the good EITC ideas we have heard even from colleagues on the other side. I think --

Ms. Sanchez. And perhaps even closing the wage gap, but that is just my personal opinion. Continue.

Mr. Bernstein. Absolutely. Comprehensive immigration reform in tandem with an enhanced EITC and a higher minimum wage makes a lot of sense to me.

Chairman Brady. Thank you.

All time has expired.

Ms. Sanchez. Thank you, Mr. Chairman.

Chairman Brady. You bet.

Mr. Renacci, you are recognized.

Mr. Renacci. Thank you, Mr. Chairman.

I want to thank the witnesses. I apologize. I was away for a little bit of this listening to some budget issues, which I think are very important. Gives you a real good setup to come back here.

At the end of last year, our debt rose over $18 trillion, and I know my colleague, Diane Black, talked about that, but that doesn't account for the $42 trillion liability that is not on the books and something we never talk about.

When I was in the business world for almost three decades and I did a lot of turnarounds, first thing I did is I went into a troubled entity, and I determined what their balance sheet looks like. And I am very frustrated that here in Washington, we like to talk about $18 trillion. We never like to talk about the $42 trillion additional dollars that really are unfounded liabilities, and, again, it will be part of the balance sheet.

So I would ask, maybe I will start with you, Mr. Holtz-Eakin, why is it important to take a look at the total picture, including those unfunded liabilities? Because I do believe -- and I want to get back to later with Mr. Moore -- there are two sides to this. We are talking about economic growth, the importance of economic growth. Well, the one thing you have to do is you have to look at your expenditures. The other thing you have to do is you look at how you can increase payroll and employment, but if we don't -- and somebody talked about Greece, which I think is so important. People look at this country and say we are still the greatest country in the world, but as this debt continues to grow, are we a place to really come and build a business? And we have got to make sure that we are always competitive, but don't we have to look at all of the liabilities and really make our decisions based on that?

Mr. Holtz-Eakin. Yes, you do and with the caveat that I don't like to refer to them as liabilities because they aren't the same as contracts that have to be honored. These are policy decisions that have been made in the past, should be rethought in the present, and have to look different in the future. But the reality is if you are sensible about looking at the commitments that are out there, add them up in a balance sheet style fashion, you know then one of two things. These are going to be the draws on the taxpayer to fulfill all those commitments, and that number is unthinkable; or these are going to be the kinds of commitments that are going to compete with national security and all the sort of basic functions of government that our Founders envisioned, basic research, infrastructure, education, those things. So, you know, take a look at those liabilities. Those are the entitlement programs, and make sure you see the scales of what they are going to impose on the rest of the economy.

Mr. Renacci. And, in turn, we could also look at the decisions we make and how they affect all those liabilities.

Mr. Holtz Eakin. Of course. You should know the long-run implications of things you do right now.

Mr. Renacci. Mr. Moore, do you have any comments in regards to a total balance sheet picture here as something to look at?

Mr. Moore. It has always struck me, being any sort of budget expert in this town, that, as you just said, we don't do a balance sheet like a business does. I mean, it is sort of crazy that, you know, if we accounted like a business did, you know, we wouldn't pass any basic audit. So I like this idea of taking into account these long-term liabilities, but it is also important to remember that these liabilities are not baked in the cake. You know, nobody has a legal right to Social Security benefits. Nobody has a legal right to Medicare or these other things. You can change the benefits, and we ought to start looking at ways to change the benefits in ways that will reduce these long-time liabilities because they are not -- you know, these $50 trillion of liabilities you are talking about, that is fixable. That is fixable, but we should start right now before all 80 million baby boomers have retired.

Mr. Renacci. Sure. If we have the political will --

Mr. Moore. Right.

Mr. Renacci. -- they are fixable.

On the growth side, I just have a question for -- and this, Mr. Bernstein, you even talked about this. If we took some of the dollars that were overseas and brought them back and were able to put them at a lower rate, even zero tax -- and I am just using an extreme -- and put those and required those to be put right back into employment and adding employees to these companies that would have to be structured so that it was an employee based -- I mean, isn't that going to boost the growth here in the country? And I would ask any of you.

Mr. Bernstein. Well, I mean, I think the idea of a repatriation, what you are talking about, some kind of repatriation of foreign earnings, has been found -- and this is the Joint Tax Committee; this isn't a partisan thing -- has been found to just incentivize more overseas deferral because they think they are going to get another repatriation somewhere down the road. If you have to do it, the way you described is a better way to do it, but it is a big revenue loser.

Mr. Renacci. Well, it is a revenue loser if we are expecting to get it back. We are never getting it back.

Mr. Holtz-Eakin?

Mr. Holtz-Eakin. The quick thing I would say is think long term. The tax reform should be designed to be a good Tax Code in any set of circumstances, whether we happen to be in a boom or a recession. You know, you don't want to tailor a permanent reform designed to enhance the supply side to the conditions of the moment.

Mr. Renacci. Mr. Hassett.

Mr. Hassett. And the last thought on this is just that the folks who have a lot of unrepatriated money are folks who by definition have a lot of money. And so the point is that the domestic firm -- for sure I am for, you know, allowing people to repatriate money permanently, you know, for free, but to do it for 1 year, you are basically taking folks who have a lot of money and letting them bring it home. And it is not really plausible that Apple would employ more people in the U.S. right now if we didn't cut the corporate rate and just let them bring some money home because they have all the money they need at home already.

Mr. Renacci. I would agree with you. It is not a 1-year program. I am just using that as an example because the only way to spur economic growth in this country is payroll. We have to increase payroll.

Thank you all for your time. I yield back.

Chairman Brady. Thank you.

Mr. Rice, for the final question.

Mr. Rice. Thank you, Mr. Chairman.

I think everybody here agrees that more growth solves a lot of our problems, if not most of our problems, right? And I agree that post-recession growth has been muted, and it is disappointing. And I believe the reason for that is we are not competitive around the world.

Mr. Hassett, I am going to pick on you for a minute. If you have a company that -- two companies, one is paying 35 percent tax, and the other is paying 15 percent tax, which one -- and they are both selling to the same customers and they are both buying their products from the same suppliers, tell me the fate of those two companies.

Mr. Hassett. Yeah. So what is going to happen is the 15-percent company is going to win, and the 35-percent company is going to go out of business; or the 15-percent company might buy the 35-percent company --

Mr. Rice. So --

Mr. Hassett. -- and after that purchase, they can move that --

Mr. Rice. So when an American company paying 35 percent tax moves to Ireland to pay 13 percent tax, it is not a matter of patriotism. Is it? It is a matter --

Mr. Hassett. No.

Mr. Rice. It is a matter of pure economic survival.

Mr. Hassett. That is the only way to survive.

Mr. Rice. Now, I want you to -- whoever believes that we are competitive in our Tax Code, please raise your hand, in the world. Okay. We agree on that.

Whoever believes that our regulatory framework that costs $10,000 per employee in the United States is competitive in the world, please raise your hand. We all agree on that.

Who agrees that our trade policy, our United States trade policy makes American companies, companies located here, more competitive in the world? Okay. We all agree on that. We are not competitive in any of those things.

Who agrees that our current unsustainable debt path makes us more competitive in the world? We agree with that.

Who agrees that our current policy on infrastructure and the failure to invest in infrastructure makes our companies more competitive in the world? We agree on that.

So we recognize that in all these major areas, this country is not acting competitively. This is not a Republican or Democrat issue. This is an America, the country, versus the rest of the world issue. And what we have to recognize, what the American people have to recognize and what the Republicans, Democrats, and the President have to recognize is that there are people around the world who get up every day and go to work in all these countries, and their job is to try to figure out how to beat America economically. And there is nothing wrong with that. And the only problem is that we refuse to compete. They are winning because we won't do it, and the American people know it. Two-thirds, two-thirds of Americans believe that their children will not have the same opportunities that they have had. If that is not a good economic indication, I don't know what is. Two-thirds.

We all agree. Everybody here agrees on this panel that we are not competitive, and we refuse to react. The President goes on TV. He complains about Congress. We sit here and fuss at each other. And nothing happens. All the while, more American jobs leave our shores. Our children can't find good-paying jobs. And the American people are sick of it. Hence, Donald Trump. I am sick of it too.

Let's show some leadership. We have got to get together and fix this. If we ever decide that we want to be competitive, we will make America great again.

Thank you very much. I yield back my time.

Chairman Brady. Thank you. I would like to thank all of our witnesses for appearing before us today.

And please be advised, as you know, members may submit written questions to be answered later in writing, and the questions and your answers will be made part of the formal hearing record.

Again, the discussion is growth, the changes in competitiveness Mr. Rice referenced. We have a lot of work to do, and I am confident actually we can do this. In fact, we don't have a choice. We have to do it.

So, with that, the committee stands adjourned.

[Whereupon, at 12:52 p.m., the committee was adjourned.]

Questions for the Record

Public Submissions for the Record