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Exactly 363 days ago, I appeared before this Committee to testify about the need for, and potential configuration of, the coming tax legislation. At that time, I set forth four tests that any bill should meet:

1) It should be deficit neutral, given projections for rising fiscal gaps.

2) It should be fair and certainly not diminish the progressivity of our system.

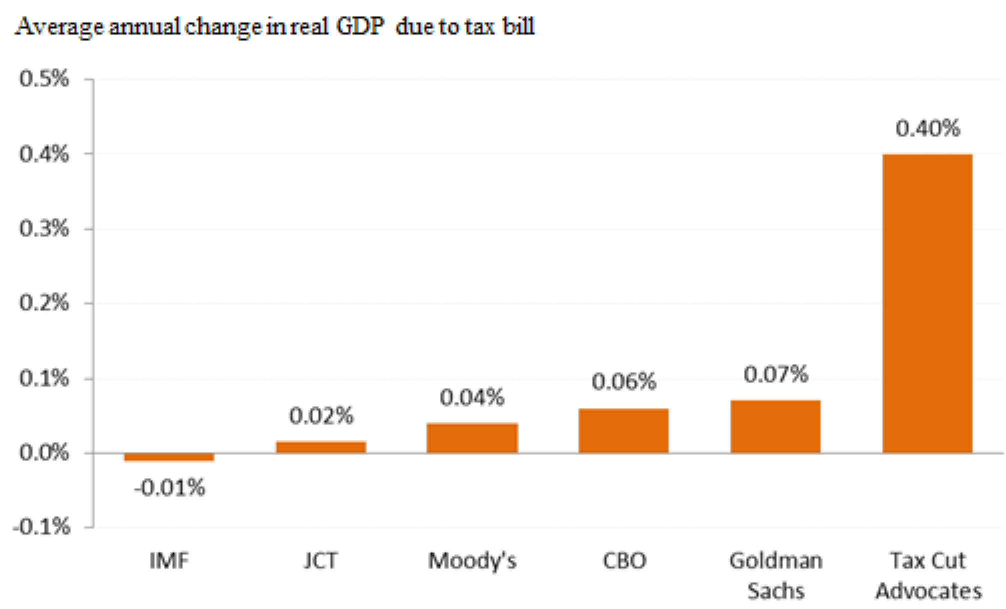
3) It should be growth and investment enhancing.

4) It should improve our international competitive position.

Now, one year later, we know that what was ultimately passed failed to address most of these tests.

For starters, it will surely increase our deficit and our debt. According to the Congressional Budget Office, the fiscal gap could total as much as $2.7 trillion over the next 10 years. Supporters counter that added economic growth of 0.4% percent per year would offset the cost. But every reputable forecast of which I'm aware puts the likely incremental growth at a negligible amount.

Most Tax Cut Estimates Similar to CBO



Source: Committee for a Responsible Federal Budget, Congressional Budget Office

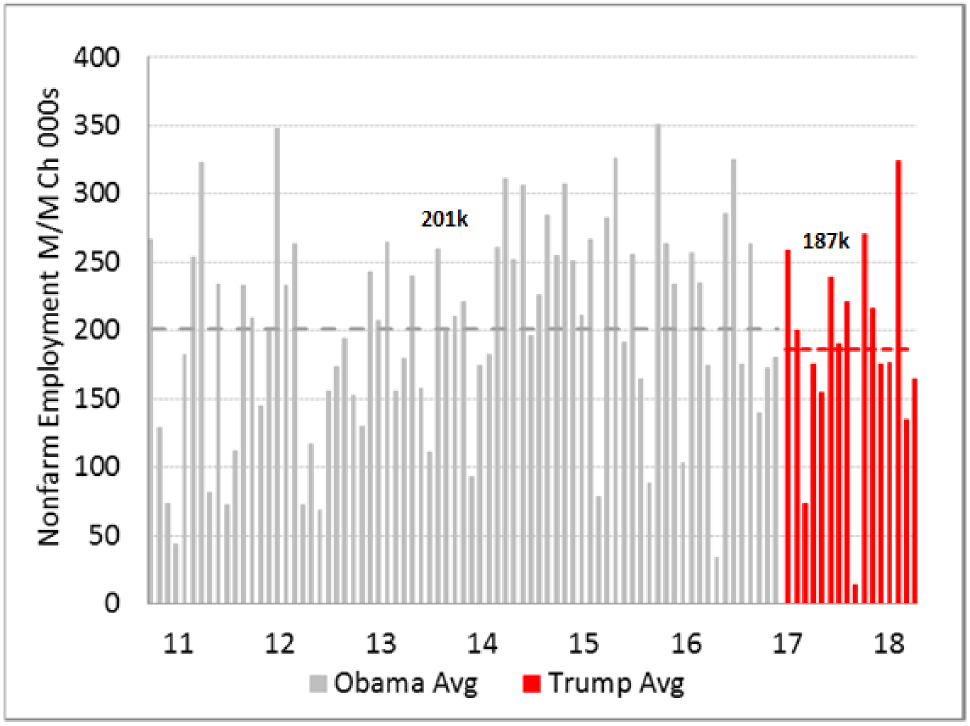
Secondly, it is not fair; just 16% of the benefits will go to individuals making less than $75,000 per year. Among numerous other shortfalls, the legislation failed to address numerous loopholes that favor the wealthy, such as the notorious carried interest provision that many Republicans promised to eliminate.

These are among the reasons why a plurality of Americans currently believe the package was ill-considered.

And while the bill in concept may have improved our international competitive position (my fourth test), there is yet to be any data-driven evidence that the tax cut meets my third test of it being growth and investment enhancing.

Let’s start with jobs, probably the most important issue on the minds of everyday Americans. Following the dark days of the financial crisis and ensuing recession, the nation has added jobs every month since October 2010. However, the average number of jobs added each month has been lower since the Trump Administration began – 187,000 jobs per month versus 201,000 jobs a month between October 2010 and December 2016.

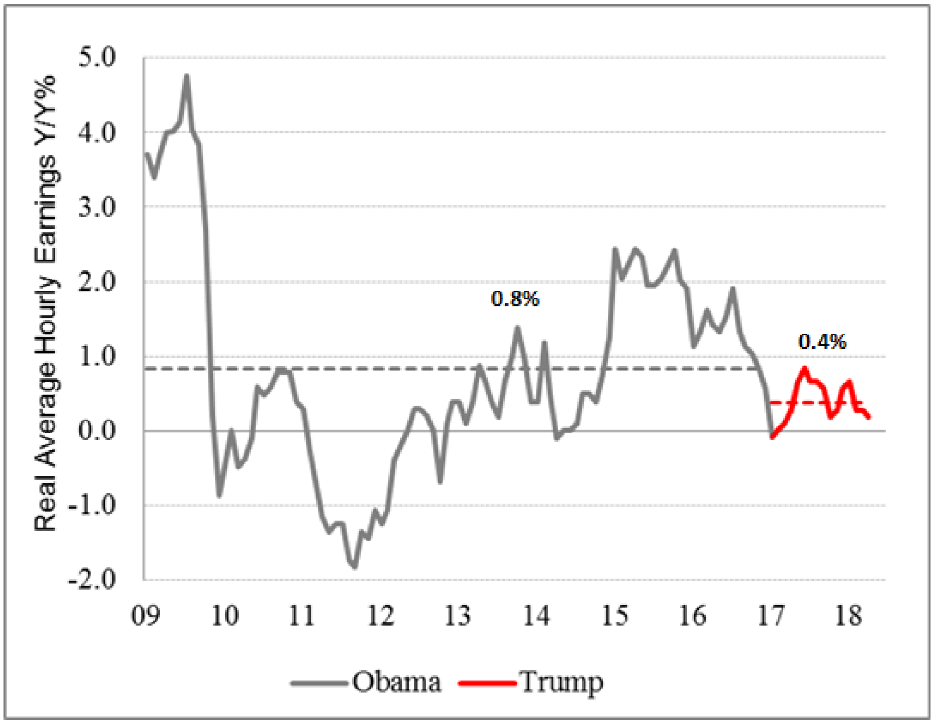
Pace of Hiring Slower



Source: Bureau of Labor Statistics

Even more disappointing has been the performance of wages, which historically increase faster as an economic recovery gathers speed. That has not been the case this time around. Under the prior Administration, average hourly earnings (after adjusting for inflation) grew by 0.8% per year; so far under President Trump, they have grown by half of that amount. Last month, real wages for private employees even declined.

Wage Growth Tepid



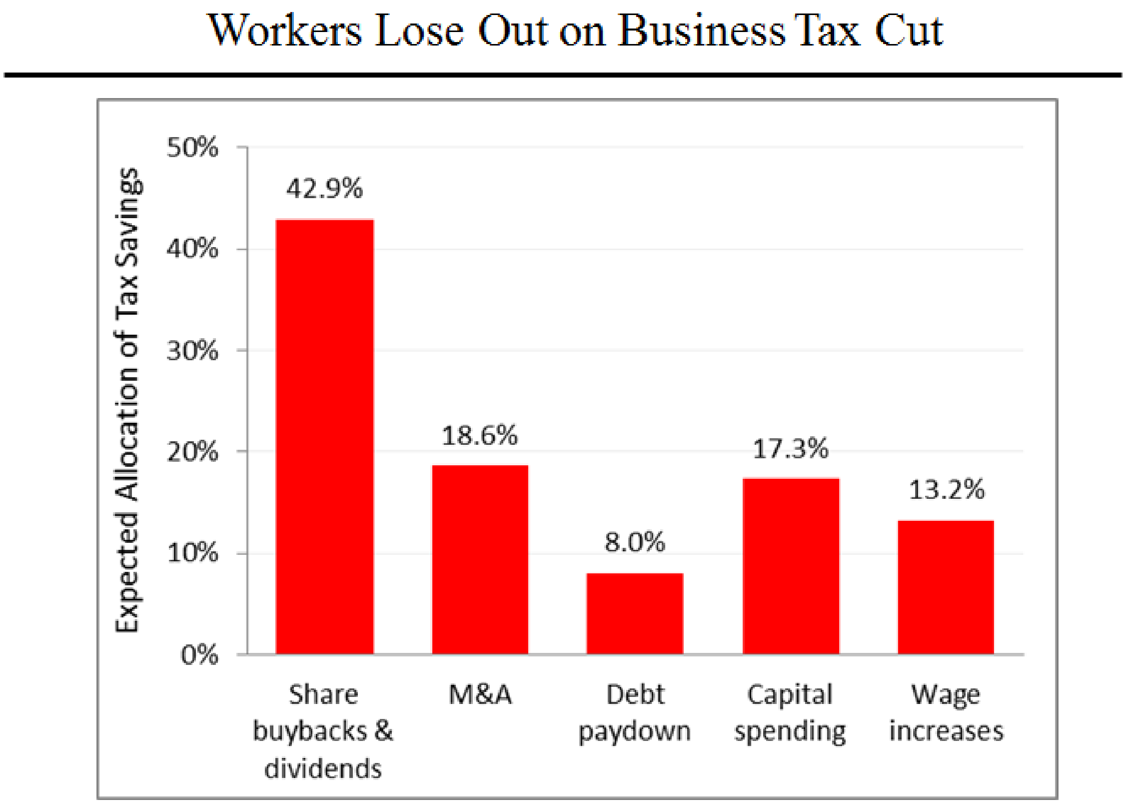
Source: Bureau of Labor Statistics

With respect to investment and our international competitiveness, I would reiterate what I said last year: that some restructuring of our corporate tax system was advisable. However, what emerged from the legislative process was less tax reform than simply a tax cut for business. Few of the many loopholes that pervade our tax code were diminished or eliminated and many unnecessary benefits (such as immediate expensing of equipment purchases) were added.

All in all, according to the C.B.O., this amounted to a $409 billion reduction in business taxes over the next 10 years. In that context, I would remind the Committee that revenues from business taxation had already dropped from a peak of 14.7% of federal revenues in 2006 to 9.0% in 2017.

While I'm sure you will hear today anecdotal evidence of how investment and competitiveness have been stimulated, the aggregate data provide no support for that contention.

We were told that the tax money saved by corporations would be put to productive use. That has not occurred. Instead, stock buybacks have risen to record levels while dividends to shareholders have been increased and comparatively little has been passed on to workers. Meanwhile, CEO pay continues to rise.

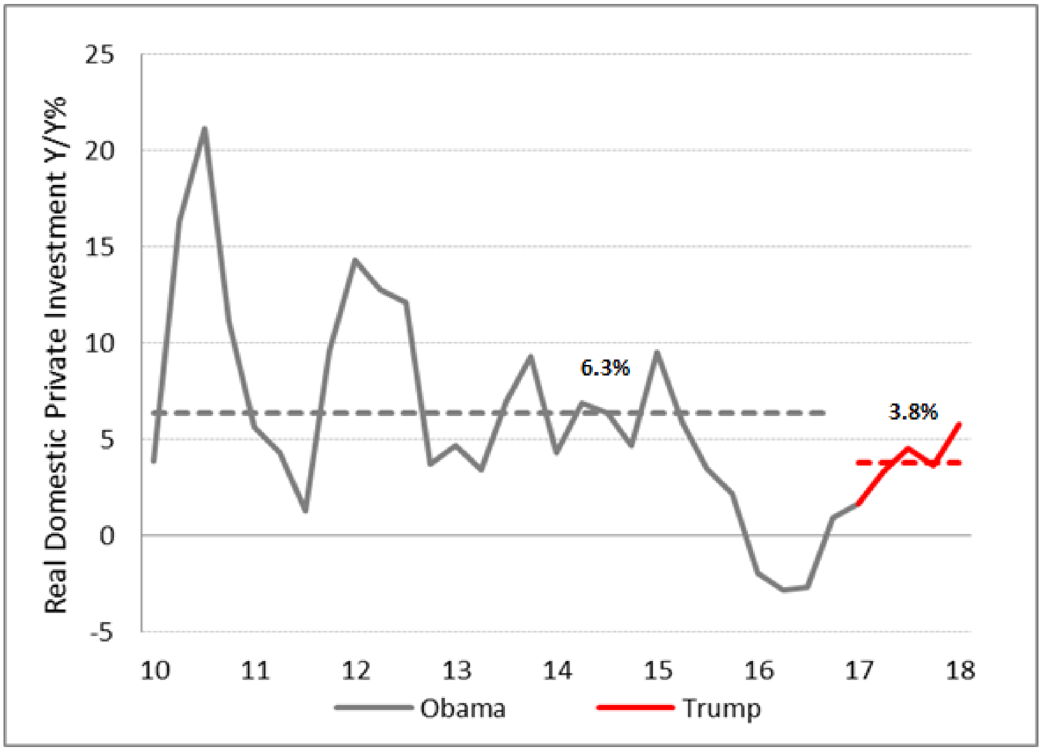


Source: Morgan Stanley Research

On top of all that, rising gas prices have swiftly been eroding the roughly $20 per week tax cut related benefit the average American receives. If the uptrend continues, consumers can expect see half their savings wiped out. Furthermore, health care premiums are set to surge to next year for unsubsidized Obamacare enrollees – in some cases, by over 50% versus the current year.

Perhaps most importantly, there is no sign that the promised investment boom has materialized. Indeed, real domestic private investment has risen at an annual rate of just 3.8% since the current administration took office compared to 6.3% from 2010 through 2016.

Investment Spending Lagging



Source: Bureau of Economic Analysis

Mr. Chairman, as I said in my prior testimony, I was very much in agreement with those who argued that the nation was grievously in need of substantive tax reform. In that context, it is deeply disappointing to report that a unique opportunity was largely squandered.