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Opening Statement
Full Committee Hearing: CARES Act Oversight of the Treasury and Federal Reserve: Supporting an Equitable Pandemic Recovery
September 28, 2021 at 10:00 AM

Thank you, Mr. Chairman. Secretary Yellen and Chair Powell, welcome.

Last year, Congress, on bipartisan basis, forcefully responded to the threat of economic collapse caused by the pandemic and resulting lockdowns. That response, together with the Fed's aggressive monetary policy support and the end to lockdowns, enabled the U.S. economy to fully recover. Our economy today is not only larger than it was before the pandemic, but we're now running above pre-pandemic GDP forecasts for 2021.

Unfortunately, Democrats are trying to ram through a reckless tax and spending bill that will threaten economic growth. Policies include massively expanding the welfare state, raising taxes on U.S. employers, and diminishing investment by increasing taxes on capital gains.

Let's be clear about the purpose behind these proposals: It's not to spur economic recovery—the economy is strong. Nor is it an anti-poverty plan—the programs are not limited to the poor. It's to reconfigure the relationship between the federal government and the middle class. It's about socializing many ordinary responsibilities that families have always assumed.

Instead of raising taxes to partially fund economically harmful programs, we should work to return to the best economy of my lifetime, which we experienced before COVID hit. We had the lowest unemployment rate in 50 years—including record low unemployment rates for black and Hispanic Americans—real median household income at an all-time high, and strong wage growth, above the rate of inflation, particularly for lowest income earners.

This was achieved by reforming the tax code, lowering tax rates, and lightening regulatory burdens. Now the Democrats are proposing to reverse all of these policies.

Chair Powell, as you know, the Fed has clear and narrow mandates: To conduct monetary policy that promotes stable prices, maximum employment, and moderate long term interest rates, and to conduct banking supervision and maintain an efficient payment system.

As Chair Powell has articulated, these are “narrow but important” responsibilities. It’s therefore concerning to see the Fed, especially its regional banks, wade into politically-charged areas like global warming and racial justice. These efforts undermine the Fed’s independence and distract from the Fed’s actual responsibilities like controlling inflation.

Speaking of which, the Fed’s excessively accommodative monetary policy, emergency policies long after the emergency has passed, produced the inflation I have feared, and the Fed did not expect. We’re now seeing rates of inflation considerably higher than the Fed projected. And it is hurting businesses, consumers, and workers.

You don’t have to take my word for it. Here’s what the CFO of Costco said last week: “Inflationary factors abound: higher labor costs, higher freight costs, higher transportation demand, along with container shortages and port delays, increased demand in certain product categories, various shortages of everything from computer chips to oils and chemicals.”

To address this threat, I urge the Fed to accelerate the process of normalizing monetary policy so that it does not fall further behind the curve in responding to inflation than it already has.

I’m also concerned Treasury may be headed down a similar path of exceeding its authority. To much fanfare, the Biden administration has announced an international tax agreement that consists of two pillars.

Pillar one is an unprecedented change that would allow foreign countries to tax American companies based on their sales overseas. It’s a tax revenue transfer from us to them. Unsurprisingly, this is the priority for other countries, who have long sought this tax transfer.

Pillar two is a global minimum tax on multi-nationals’ foreign income. This is the Biden administration’s attempt to justify burdensome tax increases on U.S. companies. Unsurprisingly, this is the administration’s priority and is part of its efforts to dismantle our successful 2017 tax reforms.

The administration is imploring other countries to implement a global minimum tax that will harm their own workers and businesses. By doing so, the administration has implicitly acknowledged that their proposed multi-national tax increases will make U.S. workers and businesses less competitive, if other countries either don't implement a global minimum tax of their own, or implement a significantly lower rate than what the administration is proposing.

But there's a real possibility that other countries will not implement a global minimum tax for at least two reasons. First, the EU can only implement this global minimum tax by unanimous consent, which they don't have. Second, these countries have only reluctantly agreed to pillar two in return for pillar one, which is the transfer of U.S. tax revenue to them. But implementing pillar one in the U.S. requires a treaty ratified by two-thirds of the Senate—and that's not going to happen.

The administration has implicitly admitted that their global tax hike will be a disaster for the U.S. if the rest of the world does not follow suit. There's a very substantial risk that the rest of the world will not follow suit. And yet Democrats are charging ahead with this destructive tax increase in their reconciliation bill that they're going to try to pass any day now.

Secretary Yellen and Chair Powell, I look forward to discussing these and other issues with you today.