

Statement of Secretary Steven T. Mnuchin Before the U.S. Senate Finance Committee



March 14, 2019

Chairman Grassley, Ranking Member Wyden, and members of the Committee, it is good to be with you today.

I am pleased to report that President Trump's economic program of tax cuts, regulatory relief, and improved trade deals is working for the American people. During 2018, real GDP increased by 3.1 percent measured from the fourth quarter of 2017 to the fourth quarter of 2018. This is the highest Q4 to Q4 growth rate since 2005.

The unemployment rate remains historically low at 3.8 percent, and earnings rose by over 3 percent in 2018, the highest nominal increase in a decade. More Americans are entering the workforce because of a renewed sense of optimism.

The World Economic Forum's most recent competitiveness report announced that the United States is the number 1 most competitive economy in the world, receiving the top ranking for the first time in 10 years. Companies are investing hundreds of billions of dollars in new and expanding business operations in the United States.

That is in large part because the Tax Cuts and Jobs Act (TCJA) made our tax rates competitive, moved us from a worldwide system towards a territorial system of taxation, and allowed immediate expensing of capital expenditures. For hardworking families, it also cut rates across the board, doubled the standard deduction, and expanded the child tax credit.

I would also like to highlight Opportunity Zones, a key component of the TCJA. Opportunity Zones will help ensure that more Americans benefit from our economic expansion and robust job market. They provide capital gains tax relief to encourage investments in businesses located in distressed communities. This policy has generated a great deal of enthusiasm. We are particularly proud of this incentive because it will ensure not only that capital is deployed in our country, but that it is invested in a way that will achieve profound results—by restoring the promise of prosperity to people and communities.

These measures are fueling growth. Along with our efforts to provide regulatory relief, in our trade negotiations, we are aiming to break down barriers to markets around the world.

As you know, China has gained many advantages through unfair trade practices. This Administration is committed to rebalancing our trading relationship in order to level the playing field for hardworking Americans. We are negotiating with China on structural reforms to open their economy to our companies and protect America's critical technology and intellectual property.

The Administration is also prioritizing the US-Mexico-Canada Agreement (USMCA). It is the most comprehensive trade agreement ever negotiated and will modernize our trading relationships across North America. The USMCA will create the highest standards ever to protect intellectual property rights, support small and mid-size businesses, open markets for agricultural products, and spur manufacturing. I encourage all members of Congress to support its passage because it will have a positive impact for American workers, business owners, farmers, and families.

In addition to enhancing overall growth prospects, I want to note the positive impact that the Administration's economic agenda will have on our country's debt and deficits going forward. During the last Administration, analysts predicted that 2 percent growth was the highest America could achieve, and that it was the new normal. We have already shown that we can and will do better. An extra one percent of GDP growth per year means trillions of dollars of additional economic activity and more revenue to the government.

Turning to the budget, the policies and priorities in the President's Fiscal Year (FY) 2020 Budget will continue to foster stronger economic growth, reduce spending, and create a more sustainable fiscal outlook for our country by reducing the deficit as a share of GDP. Of special interest to this committee, the Treasury portion of the FY 2020 Budget includes \$290 million for the Business Systems Modernization account, funding which is foundational for a new six-year IRS IT modernization plan. Investment in the modernization of IRS information technology systems and infrastructure will protect the integrity of our tax system and improve customer service for taxpayers.

I am pleased to continue working with you on policies that will help to create jobs and increase wages for the American people.

Thank you very much.

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