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## Financial Services Roundtable

Max S. Baucus

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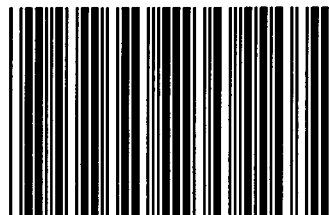
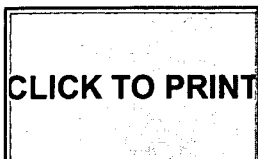
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BAUCUS

Speech to the Financial Services Roundtable

February 1, 2011

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**Thank you for inviting me to speak with you today. Each of you has a unique perspective on our economy. And each of you has an important role to play in our economic competitiveness across the globe.**

**In the 112<sup>th</sup> Congress, our highest priority has to be creating the jobs our economy needs here at home to keep America competitive. //**

To stay competitive, we need to examine every aspect of our economy. // On the Finance Committee, I intend to look at every area of our jurisdiction to determine what we can do to create jobs and continue our economic recovery.

One of the primary areas we'll examine is the tax code. | I have long believed that we need to reform our antiquated and inefficient tax system.

Tax reform will make our tax code simpler and more fair. // And it will help give our economy the competitive boost it needs.

**Last fall, I launched a series of Finance Committee hearings on tax reform as part of this effort.**

**These hearings have already started educating members of the Committee on the 1986 tax reform effort and the big issues of reform today.**

**And we intend to continue that series with many more hearings this year.**

**Support for tax reform is growing in  
Washington.**

**The President has convened working groups  
to discuss corporate tax reform. // He emphasized  
the need for tax reform in the State of the Union.**

*corp?*

**My new counterpart on the Finance  
Committee, Senator Hatch, and the new  
Chairman of the House Ways and Means  
Committee, Mr. Camp, have both expressed real  
interest in reforming the tax code as well. We  
have all begun to work productively together.**

**We plan to leave no stone unturned. We will look at options to reform the taxation of individuals, pass-throughs, and corporations. //**

**We will consider the merits of shifting to a territorial tax system.**

**We will examine whether we are getting the most bang for the buck in our tax code. // We will ask whether some tax breaks create perverse incentives. // For example, we will look at whether the tax system creates incentives for individuals and businesses to take on too much debt.**

**And, like the last major overhaul of the tax system a quarter century ago, we will seek to achieve a broader base with lower rates.**

**The Tax Reform Act of 1986 was a landmark law.**

**It affected every family and every business in the country.**

**It significantly reduced taxes on individuals and it eliminated many tax benefits for special interests.**



**Most importantly, the Tax Reform Act leveled the playing field for individuals, and for businesses.**

**But over the last 25 years, too much of this achievement has unraveled. Congress has made more than 15,000 changes to the tax code.** *what*

**These changes were made with good intentions. They were made to raise revenue, to further social objectives, or to stabilize a struggling economy. But each change created complexity and the potential for exploitation.**

**Jeffrey Birnbaum, who wrote the book on the 1986 effort, put it best. He said, “The Tax Code is like shrubbery – the more severely it’s pruned, the bigger and stronger it will grow back.”**

**Today, the tax code is about 70,000 pages long. As in the 1980s, there is a long list of deductions, credits and exclusions that are available to avoid taxation. The result is an unlevel playing field and mind-boggling complexity.**

**For example, the United States has one of the highest statutory corporate income tax rates among developed countries at 35 percent. But our total effective tax rate is closer to the middle of the pack.**

**This disparity is due, in part, to the fact that we employ more business tax preferences than almost any other developed country.**

class 7

**And looking closer, while some industries have an effective tax rate as low as 5 percent, others have an effective tax rate higher than 30 percent.**

**Clearly the shrubbery of the tax code needs to be pruned.**

**For the most part, businesses with the same profits should pay the same tax rate. They should not have to spend a fortune sorting through deductions, credits and exclusions. And they should not face one of the least competitive headline rates in the developed world.**

**But pruning back the tax code will be difficult. The success of the tax reform effort will depend on cooperation and compromise from all sides.**

**I intend to engage my colleagues on both sides of the aisle and in both chambers. And I will certainly work closely with the Administration as well.**

**It is also critical for each of you to come to the table. We want to partner with the business community and hear your ideas. I hope we can engage in a constructive dialogue. I welcome ideas from you and I assure you we will consider all of them.**

**One example of what we can do together is the recent legislation streamlining the tax rules for mutual funds, sometimes called the “RIC” modernization bill.”**

*Dec 2010*

**The mutual fund industry worked with us. They put together a solid set of proposals. Not every idea was accepted, but working together, we passed legislation that modernized mutual fund rules for the first time in 20 years. This is a small-scale example, but I’m confident we can build on that success.**

**America's place in the world economy also depends on a strong retirement system that stimulates saving. I want to hear your ideas on the best tax incentives to ensure retirement security.**

**The United States has the most successful private retirement system in the world. The financial services industry has played an important role in this accomplishment.**



**It is welcome news that America's savings rate has increased over the past two years. But only about half of American workers have access to workplace retirement savings.**

**What's more, college education costs are rising and defined benefit plans are disappearing. As a result, many workers are simply not prepared for their retirement and long-term financial needs.**

**I hope we can work together to find new ways to provide retirement savings programs to more American workers, and promote domestic investment through savings. Our competitiveness and future growth depend on it.**

**Our competitiveness also depends on a smart, thoughtful and aggressive trade policy.**

**To drive growth and create jobs, we must look beyond our borders. Ninety-five percent of the world's consumers – who hold 70 percent of the world's purchasing power – live outside of the United States.**

**These consumers are hungry for American products and services. We must tear down the barriers that prevent our products and services from reaching them.**

**We must start with China. China is the world's second-largest economy and our second largest trading partner. China holds enormous market potential. But China has also demonstrated a willingness to manipulate this potential.** ✓

**China limits market access by failing to protect American innovation. It creates national champions through industrial policies, like indigenous innovation.** ✓

**China imposes webs of restrictions on agricultural imports. It boosts the competitiveness of its exporters by maintaining a fundamentally misaligned currency. And it has not fully implemented its commitments to give U.S. financial services providers access to its market.**

- misaligned  
barriers  
for banks  
- investment  
restrictions

**China should not be allowed to impose such barriers without consequences.**

**The Chinese economy has exploded in the last ten years. But China must remember that this growth has been driven by U.S. consumers. And China's economic growth continues to depend on its access to the U.S. economy.**

**China must also remember that American companies drive investment in the Chinese economy. China relies heavily on cutting-edge American technology to foster domestic innovation.**

**It will benefit both our countries to work together when we can. But when we cannot work together, we must look to the World Trade Organization and use every tool at our disposal to compel China to play by the rules.**

**China has benefited from the global trading system. But it is also obligated to the global trading system. And we must hold China to the rules of that system.**

**To continue building America's competitiveness in the global economy we must also look beyond China.**

**We must continue to cement our relationships with countries that are economic partners and strategic friends. That is why I so strongly support the Colombia and Panama FTAs. These agreements will immediately boost key American exports and create American jobs.**



**I have called on the President to avoid further delay and submit these agreements to Congress as soon as possible.**

**We must also continue to build multilateral alliances. That is why I called on the Obama Administration to restart negotiations on the Trans-Pacific Partnership FTA, which has the potential to open several vital markets in a key region.**

**And I continue to support an ambitious Doha Round agreement, including meaningful market access for U.S. financial services companies.**

**But we must hold countries accountable when they fail to comply with their international obligations. I recognize that the U.S.-Korea FTA benefits many sectors of the U.S. economy, including the financial services sector. As with China, however, compliance with international commitments is vitally important.**

**I am deeply disappointed that Korea has not yet removed its unscientific restrictions on U.S. beef exports. I have strongly urged the Administration to address those restrictions so that we can move forward with Congressional approval of the Korea FTA.**

**Our economic strenght also rests on our commitment to make sure our trading partners understand the potential of American workers, ranchers, farmers, and manufacturers.**

**We must demonstrate the breadth of American exports and the depth of American ingenuity.**

**We must remind our trading partners – and ourselves – that good trade policy must benefit not just our large businesses, but our small ones as well. It must work not just for our big cities, but for our rural communities, as well.**

**I fought hard to bring the Asia-Pacific Economic Cooperation, or APEC, Trade Ministers meeting to Montana this May. And I will continue to ensure that these meetings highlight the opportunities, and the needs, of American businesses of all stripes and sizes.**

**Our focus on aggressive trade policy will create good-paying jobs right here at home.**

**We will continue to develop and implement a trade policy that deepens our relationship with countries that offer real market potential to U.S. exporters. A policy that refuses to reward countries that flout their international obligations. And we will ensure that America's competitive edge remains sharp.**

**We face huge challenges, but it is my hope that we can confront those challenges together. I look forward to working with all of you to ensure our tax and trade agendas create jobs and continue moving our economy forward.**

**Thank you for having me today.**