

**Statement of Connie Mack  
Chairman, President's Advisory Panel on Tax Reform  
March 31, 2005**

Good morning and welcome. Today, we will explore how the tax code affects economic growth and our country's international competitiveness. At our first five meetings, we have heard much about the individual income tax – the overwhelming complexities, the myriad of special provisions that treat certain taxpayers or activities differently, and the distortions that get in the way of an efficient and growing economy. Today, we are going to continue looking at the relationship between the tax system and economic growth, and we are also going to turn to an area that is as complex as any that we have already covered – specifically, the international provisions of the tax code.

I am especially delighted that we will be joined later this morning by Milton Friedman. Widely considered one of the greatest economists of the 20<sup>th</sup> century, Professor Friedman is known as the father of the Chicago school of economics. For this important work, he received the Nobel Memorial Prize for Economics in 1976. He was also awarded the Presidential Medal of Freedom and the National Medal of Science in 1988. He is currently a senior fellow of the Hoover Institute and as you will see, remains extremely engaged and active in the important economic issues of the day. It is a special privilege for us to have him at our meeting to share his thoughts and perspectives on tax reform.

We will have three discussion panels at today's hearing. The first panel will provide an overview of the international tax rules and describe how those rules affect a variety of important decisions that multinationals must make to stay competitive. Willard Taylor, from the law firm of Sullivan & Cromwell, will provide an overview and describe how the piecemeal evolution of the rules related to international tax adds complexity and complicates planning for important business decisions. Harvard Professor Mihir Desai will summarize how the tax system affects multinational activity as well as provide some thoughts on how the current system hinders the competitiveness of American firms operating abroad. As we consider options for reform, it is important to understand how other countries have structured their tax systems. Jeffrey Owens from the OECD in Paris will provide us with an overview of tax systems in developed countries around the world and the forces that have led to a wide series of tax reforms in these countries over the last twenty years. Larry Langdon, who was in charge of the IRS's Large & Mid-Size Business Division and, prior to that, was Hewlett Packard's lead in-house tax expert, will present his views of how our international tax system presents compliance challenges for both the IRS and U.S. businesses.

Our second panel will continue the focus on how the tax code affects business decisions. Paul Otellini, the President of Intel and the person slated to become CEO in a few months, will describe how the tax code impacts his company – especially in the all-important decision of where to locate a chip

factory. Bob Grady, a managing director of the Carlyle Group, will share his perspectives on the impact of the tax code on investment decisions . Bob runs Carlyle's global venture capital group and serves on the board of directors of the National Venture Capital Association.

Our last session will focus on economic growth, arguably one of the most important topics of our hearings. Professor Michael Boskin of Stanford will explain how our current tax system affects the savings decisions of U.S. taxpayers. Berkeley Professor Alan Auerbach will then share his insights on how the tax system influences business investment. Both Professors Boskin and Auerbach will describe how fundamental tax reform could boost economic growth and make the U.S. economy stronger.

We have a full plate today – and an extremely crucial set of issues. I look forward to the testimony.