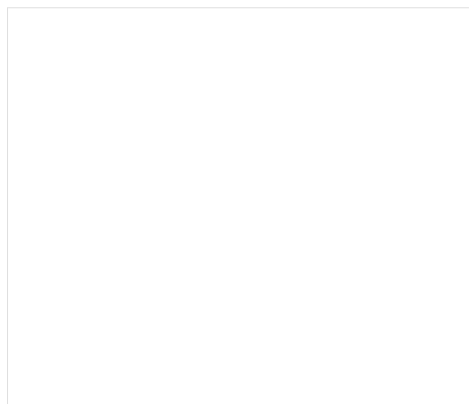


# Congressional Committees Tackle Economy and Finance

## GDP for Second Quarter Revised to 1.3%



Hearing on Small Business & Consumer Financial Protection Bureau

WASHINGTON, DC  
Saturday, July 30, 2011

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Congress held a variety of hearings this past week on the nation's economy. Lawmakers heard from leading CEOs about their view on the tax code, along with two hearings on credit rating agencies and regulating small businesses.

All this while on Friday the Commerce Department reported that weak consumer spending and lower factory output led to an revised U.S. gross domestic product (GDP) annual rate of 1.3% percent for the second quarter of 2011.

### Leading CEOs Testify on Tax-Code Rewrite

In March, the Joint Committee on Taxation (JCT) began to analyze household and business debt financing to help craft new tax reform legislation. This week, the Senate Finance Committee gathered together several leading CEOs to discuss how U.S. companies can best implement those ideas to spur the economic recovery.

CEOs from Wal-Mart, Kimberly-Clark Corporation, PMC-Sierra Inc. and CVS appeared before the Committee at a hearing titled "CEO Perspectives on How the Tax Code Affects Hiring, Businesses and Economic Growth."

Committee Chairman Max Baucus (D-MT) stated that "As part of tax reform, we must examine how we can improve our economy and create jobs, and to do so, we need to ask how to encourage businesses to invest in growth."

In regard to the efforts towards tax reform, House Ways and Means Chairman Dave Camp (R-MI) made the statement: "it will be critical for Congress's two tax-writing [Committees] to be working together closely."

### Credit Rating Agencies Get Congressional Review

Part of the debate over the debt ceiling has involved the idea that the credit rating of the U.S. Government would be downgraded by rating agencies if the nation were to default on its debt.

The credit rating agencies have also been criticized by Federal regulators for failing to sound the alarm over the emerging subprime mortgage problems, when certain federal regulatory actions were tied to their assessments.

A House Financial Services subcommittee held an oversight hearing on the credit rating agencies who issue those advisories, and how regulation of the industry has changed under the Dodd-Frank law which took effect one year ago.

On Tuesday, the Securities and Exchange Commission unanimously approved a plan to remove credit ratings from some of its rulemaking procedures, and substitute other ways of evaluating risks.

SEC Chairman Mary Schapiro said in a statement that she believes the new rules "will provide an appropriate and workable alternative to credit ratings."

Of the so-called "big three" credit rating agencies, both Standard and Poor's (S&P) and Moody's have

### VIDEO PLAYLIST

[Hearing on Small Business & Consumer Financial Protection Bureau](#)

[Hearing on Small Business & Health Care Law](#)

[Hearing on Oversight of Credit Rating Agencies](#)

[Senate Hearing on Taxes with CEO](#)

put the AAA U.S. government credit rating "under review," and may take negative action if there is a default. Fitch Ratings says it's waiting to see what happens and won't make a decision unless the August 2nd deadline passes and the ceiling hasn't been raised.

Representatives of S&P and Moody's testified at the hearing, along with Federal officials from the SEC and Federal Reserve.

Oversight subcommittee chairman Randy Neugebauer said in a statement that the Dodd-Frank Act has "conflicting goals" when it comes to regulating the credit rating agencies: "On the one hand, the Act attempts to de-emphasize the role of credit rating agencies in federal regulations and on the other hand, the Act further perpetuates and entrenches the government-sponsored oligopoly of the big three credit rating agencies."

### **Effect of Government Regulation on Small Businesses**

Two House Small Business subcommittees met Thursday to look at how some recently-passed laws have affected small businesses in the U.S.

The Healthcare subcommittee heard from business owners and government officials about whether small businesses can keep their current health care coverage under the Patient Protection and Affordable Care Act - otherwise known as the health care overhaul bill signed into law last year.

Under the law, employers who have at least 50 full-time employees must offer health insurance to their employees by 2014. Companies with fewer than 50 employees are exempt.

Witnesses at the hearing also included a researcher from the National Federation of Independent Business, which put out a study saying that some small business owners believe the health care bill will not reduce their costs and will add to the federal deficit.

Also today, the Investigations, Oversight, and Regulations Subcommittee reviewed the impact of regulations on small business access to capital - specifically the regulations enforced by the new Consumer Financial Protection Bureau (CFPB).

An official from the CFPB testified, along with representatives of small businesses and scholars who have studied the role of the CFPB.

### **Q2 2011 Real GDP Revised to 1.3%**

The Commerce Department said yesterday second-quarter GDP in the U.S. rose 1.3%. Economists expected a 1.7% rise. GDP for the first quarter was revised lower to 0.4% from 1.9%.

Growth in the second quarter resulted from slow consumer spending, which only expanded at a 0.1% percent. Local and state government spending was also slow in the quarter.

The gross domestic product (GDP) is one the primary indicators used to gauge the health of a country's economy. It is the most commonly used method to measure the value of the goods and services that the U.S. generates.

Updated: Friday at 7:33pm (ET)