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Opening Statement
Full Committee Hearing: The Dignity of Work
April 29, 2021 at 10:00 AM

Thank you, Mr. Chairman.

One of the largest contributors to our nation's success has been our free enterprise system, which elevates the dignity of work. At its core, free enterprise recognizes that the essence of human happiness is not just getting money, but creating value—in one's own life and in the lives of others.

This path to happiness, which economist Arthur Brooks calls "earned success," speaks to the moment when your effort, your sacrifices, and your investment in yourself, pays off. To explain this term, Brooks asks a question: When you get your first raise at work, will you celebrate the day you get the news, or a few weeks later when you get the new paycheck? Most people celebrate when they get the news because the reason you're celebrating isn't simply the material byproducts of your success, but the satisfaction of knowing your efforts succeeded.

In a free enterprise system, success can be earned by anyone. Markets don't ask the color of your skin or who your parents were. There is no greater system than free enterprise for tearing down the barriers of class and status.

So how can we support such a system? The answer is simple: get out of the way.

The most recent experiment in free enterprise occurred during the last few years when Republicans unmoored the economy from over taxation and statist control. What were the results? Before COVID, we had the best economy of my lifetime: more jobs than people looking for work and a record low poverty rate.

This is how you recognize the dignity of work—with jobs accessible and paying well. All of this was spurred on by the steps Republicans took to enact pro-growth tax reform and deregulation.

Whether it is championing stakeholder capitalism, which calls for corporations to pursue a liberal social agenda rather than prioritize its responsibilities to its owners, or paying people more not to work, which obviously denigrates the value of their work.

Although the list of ill-conceived policy ideas is long, I'd like to address two proposals that—if passed—would prevent our economy from reaching its potential: prohibitions on share buybacks, and an increased capital gains tax.

There are three major reasons why prohibiting stock buybacks is a terrible idea.

First, it constitutes a very disturbing attack on freedom. Banning share buybacks would restrict the ability of shareholders to run their own company. The owners of a company have the right to decide what to do with its profits after all expenses and taxes have been paid. Share buybacks are simply a mechanism for shareholders to take out some of the money that they own.

Second, share buybacks serve an important function in the economy. They facilitate long-term investment by redirecting funds from lower, to higher growth firms. Banning buybacks would slow economic growth, as this capital fuels investment in businesses' futures.

And third, banning buybacks would hurt the very people that its advocates intend to help. In the U.S., about 40 percent of all equities are held in pension and retirement accounts. Share buybacks are good for their investments because it returns cash that can then be redeployed, rather than sitting unused on a company's balance sheet.

Another terrible idea is the Biden administration's plan to raise capital gains taxes. They want to almost double the capital gains tax to a mind-boggling 43.4 percent to help pay for its enormous spending plans. This would be a grave mistake.

There are good reasons why we tax capital gains—the realized gain on an appreciated asset—at a lower rate than ordinary income. First, part of an asset's appreciation is inflation, which makes no sense to tax. Second, in most cases, like stocks, the asset has already paid tax on its income. And finally, investment leads to economic growth, which is something we don’t want to inhibit.

On top of all of this, almost doubling the capital gains tax wouldn’t even increase tax collections. According to the non-partisan Joint Committee on Taxation, a 43.4 percent capital gains tax would reduce federal tax revenue for a variety of reasons. Why would we want to levy a tax that would decrease investment in the economy and result in less tax revenue for the government? That certainly doesn’t make sense.

Let me conclude with this: I think we should do everything we can to preserve and elevate the dignity of work. The most effective way to do that is by allowing the economy and free enterprise to flourish, thereby creating employment opportunity and increasing wages for everyone.

Capitalism has proven to be the greatest driver of prosperity in history. We should support rather than inhibit this engine of growth and opportunity for all Americans.