



This is the long version submitted to the record. Sen. Grassley's accompanying charts are posted at finance.senate.gov.

Floor Speech of Senator Chuck Grassley:
Fiscal Effects of Stimulus Bill:
Debate on Waiving the Budget Act
February 10, 2009

Today, the Senate will consider whether we should apply budget discipline to the stimulus bill before us.

Yesterday, there was a lot of revision or perhaps editing of recent budget history. Our President alluded to it. And I agree with the President that there's a lot of revisionism in the debate. The revisionist history basically boils down to two conclusions: That all of the "good" fiscal history of the 1990s was derived from a partisan tax increase bill of 1993; and that all of the "bad" fiscal history of this decade to-date is attributable to the bipartisan tax relief plans.

Not surprisingly, nearly all of the revisionists who spoke generally oppose tax relief and support tax increases. The same crew generally support spending increases and oppose spending cuts.

In the debate so far, many on this side have pointed out some key, undeniable facts. The bill before us, with interest included, increases the deficit by over \$1 trillion. The bill before us is a heavy stew of spending increases and refundable tax credits, seasoned with small pieces of tax relief. The bill before us has new temporary spending, that, if made permanent, will burden future budget deficits by over \$1 trillion.

All of this in an environment where the automatic economic stabilizers are kicking in to help the most unfortunate in America with unemployment insurance, food stamps and other benefits.

That anti-recessionary spending, together with lower tax receipts, and the TARP activities have set a fiscal table of a deficit of \$1.2 trillion. That's the highest deficit, as a percentage of the economy, in post-World War II history.

Not a pretty fiscal picture. And it's going to get a lot uglier with this bill. So, for the folks who see this bill as an opportunity to "recover" America with government taking a larger share of the economy over the long-term, I say congratulations.

If you vote for this bill, you put us on the path to a bigger role for the government. But supporters of this bill need to own up to the fiscal course they are charting.

That's where the revisionist history comes from. It's a strategy to divert, through a twisted blame game, from the facts before us. How is the history revisionist? Let's take each conclusion one-by-one.

The first conclusion is that all of the "good" fiscal history was derived from the 1993 tax increase. To knock down this canard, all you have to do is take a look at this chart. It was produced from data from the Clinton Administration.

The much-ballyhooed partisan tax 1993 tax increase accounts for 13 percent of the deficit reduction in the 1990s. Thirteen percent.

The biggest source of deficit reduction, 35%, came from a reduction in defense spending. Of course, that fiscal benefit originated from President Reagan's stare-down of the communist regime in Russia. The same folks on that side who opposed President Reagan's defense build-up take credit for the fiscal benefit of the "peace dividend."

The next biggest source of deficit reduction, 32%, came from other revenue. Basically, this was the fiscal benefit from pro-growth policies, like the bipartisan capital gains tax cut in 1997, and the free-trade agreements President Clinton, with Republican votes, established.

The savings from the policies I've pointed out translated to interest savings. It is right here at 15%.

Now, for all the chest-thumping about the 1990s, the chest thumpers, who push for big social spending, didn't bring much to the deficit reduction table in the 1990s. Their contribution was 5%.

What's more the fiscal revisionist historians in this body tend to forget who the players were. They are correct that there was a Democratic President in the White House. But they conveniently forget that Republicans controlled the Congress for the period where the deficit came down and turned to surplus. They tend to forget they fought the principle of a balanced budget that was the centerpiece of Republican fiscal policy.

Remember the government shutdown of late 1995 my friends on the Democratic side? Remember that was about? It was about a plan to balance the budget. Republicans paid a political price for forcing the issue, but, in 1997, President Clinton agreed. Recall as well all through the 1990's what the year-end battles were about. On one side,

Congressional Democrats and the Clinton Administration pushed for more spending. On the other side, Congressional Republicans were pushing for tax relief. In the end, both sides compromised. That's the real fiscal history of the 1990s.

Let's turn to the other conclusion of the revisionist fiscal historians. That conclusion is that, in this decade, all fiscal problems are attributable to the widespread tax relief enacted in 2001, 2003, 2004, and 2006.

In 2001, President Bush came into office. He inherited an economy that was careening downhill. Investment started to go flat in 2000. The tech-fueled stock market bubble was bursting. Then came the economic shocks of the 9-11 terrorist attacks. Add in the corporate scandals to that economic environment. And it's true, as fiscal year 2001 came to close, the projected surplus turned to a deficit. I have a chart that shows the start of this decade's fiscal history.

In just the right time, the 2001 tax relief plan started to kick in. As the tax relief hits its full force in 2003, the deficits grew smaller. This pattern continued up through 2007.

If my comments were meant to be partisan shots, I could say this favorable fiscal path from 2003 to 2007 was the only period, aside from 6 months in 2001, where Republicans controlled the White House and the Congress. But, unlike the fiscal history revisionists, I'm not trying to make any partisan points, I'm just trying to get to the fiscal facts.

I have another chart that compares the tax receipts for four years after the much-ballyhooed 1993 tax increase and the four year period after the 2003 tax cuts. On a year-by-year basis, this chart compares the change in revenues as a percentage of GDP. In 1993, the Clinton tax increase brought in more revenue as compared to the 2003 tax cut. That trend reversed as both policies moved along. You can see how the extra revenue went up over time relative to the flat line of the 1993 tax increase.

So, let's get the fiscal history right.

The pro-growth tax and trade policies of the 1990s along with the "peace dividend" had a lot more to do with the deficit reduction in the 1990s than the 1993 tax increase. In this decade, deficits went down after the tax relief plans were put in full effect.

That's the past. We need to make sure we understand it. But what is most important is the future. People in our states send us here to deal with future policy.

They don't send us here to flog one another, like partisan cartoon cut-out characters, over past policies. They don't send us here to endlessly point fingers of blame. Now, let's focus on the fiscal consequences of the bill in front of us. That's what the vote at noon is all about.

President Obama rightly focused us on the future with his eloquence during the campaign. I'd like to paraphrase a quote from the President's nomination acceptance speech:

“We need a President who can face the threats of the future, not grasp at the ideas of the past. “

President Obama was right.

We need a President, and I'd add Congressmen and Senators, who can face the threats of the future. This bill, as currently written, poses considerable threats to our fiscal future. Senator McCain's spending trigger amendment showed us the way. We can re-write this bill to retain its stimulative effect, but turn off the spending when the recovery occurs.

Grasping at ideas of the past or playing the partisan blame game will not deal with the threats to our fiscal future. With a vote to sustain the budget point of order against this bill, fellow Senators, we can start to deal with the threats to fiscal future.

I urge my colleagues to vote for budget discipline and sustain the point of order.