



The charts Senator Grassley referred to will be posted at finance.senate.gov.

Floor Statement of Senator Chuck Grassley:
FY 2010 Budget Conference Report:

What are the new debt and deficits under the budget? Where is the policy to grow private sector jobs?

Wednesday, April 29, 2009

Today, the Senate begins the final step in developing the Congressional Budget Resolution. The budget process started with the President's budget was submitted on February 26, 2009. That was just about two months ago. During the committee process and floor process we've faced one key question. The question is this: should we apply more or less budget discipline to record debts and deficits My President, President Obama, inherited on January 20, 2009?

Over the past few weeks, we've heard a lot of revisionist fiscal history. Or it might be best described as heavy editing of recent budget history. I was pleased to see the distinguished Budget Committee Chairman, my friend from North Dakota, make the record clear. President Obama inherited a \$1.3 trillion deficit.

Republicans don't disagree that President Obama inherited a large deficit. One point of clarification needs to be made. The deficit and debt were bequeathed on a bipartisan basis. The Democratic Leadership controlled the House and the Senate for the budgets that were drawn up in 2007 and 2008. The Democratic Leadership wrote the tax and spending bills that President Bush signed in the last Congress. Congressional Democrats negotiated the bail-out bill with the Bush Administration. Those fiscal policy decisions, though at times combative, in the end, were jointly made by Congressional Democrats and the Bush Administration.

The anti-recessionary spending, together with lower tax receipts, and the TARP activities has set a fiscal table of a deficit of \$1.3 trillion. That was on the President's desk when he took over the Oval Office on January 20, 2009. That's the highest deficit, as a percentage of the economy, in Post World War II history.

Not a pretty fiscal picture. I have a chart that shows that part of the story. And, as predicted a couple of months ago, that fiscal picture got a lot uglier with the stimulus bill. So, for the folks who saw that bill as an opportunity to “recover” America with government taking a larger share of the economy over the long-term, I say mission accomplished.

For those who voted for the stimulus bill, you put us on the path to a bigger role for the government. Over a trillion dollars of new deficit spending was hidden in that bill. It caused some of the extra red ink on this chart. Supporters of that bill need to own up to the fiscal course they charted.

Now, to be sure, after the other side pushed through the stimulus bill and the second \$350 billion of TARP money, CBO re-estimated the baseline. A portion of this new red ink, upfront, is due to that re-estimate. The bottom line, however, is that re-estimate occurred several weeks after the President and robust Democratic majorities took over the government. Decisions were made and the fiscal consequences followed.

The budget before us, for the most part, follows the fiscal trail blazed by President Obama. As the Administration’s top budget official said, this budget is 98% like the President’s budget. I want to congratulate the Chairman on keeping some of the tax priorities of the Senate. One, dealing with the AMT patch, though shorter than I proposed, is dealt with over 3 years. The Chairman also kept part of the Senate middle class tax relief package.

But, on both the tax and spending side, we need to take a hard look at what’s going on in 2014. That’s the last year of the budget. The budget resolution conference report claims to reduce the deficit from \$1.7 trillion this year to about \$520 billion in 2014. However, the final year of the budget fails to include the revenue loss from the AMT patch for that year. It fails to include the revenue loss for fully extending 2001 and 2003 middle-class tax relief; the President’s Making Work Pay Credit; the Medicare physician fix; natural disasters; but it does include illusory, unspecified future discretionary spending cuts. When you add it all up the thing it fails to do, or claims to do but doesn’t, the conference report falls hundreds of billions of dollars short of its claimed deficit reduction.

So, let’s return to the basic question we faced when we started the budget process several weeks ago. The question, once again, is this: should we apply more or less budget discipline to record debts and deficits My President, President Obama, inherited on January 20, 2009? This budget does answer the basic question. It makes the fiscal situation worse. Inherited debt doesn’t stay at its unacceptably high level. It doubles to 82% of GDP. Abnormal deficit levels become normal deficit levels. Levels once considered a fiscal vice, at say the peak during the Bush years, at 3-4%, are dwarfed during the out-years of the President’s budget. Fiscal vices become fiscal habits under this budget. I’d ask anyone if they’d define this plan as fiscal discipline.

Everyone in this body wants to help get our economy back on track. If the economy gets back on track, everybody wins. From a fiscal situation, there is no better policy

development than a growing economy. I'd think everybody in this body would agree on that point -- likewise, knows that small businesses are an extremely important dynamic part of the U.S. economy. I like to say that small business is the engine that drives the U.S. economy. President Obama agrees that small businesses have generated 70% of net new jobs over the past decade. One month ago we debated the budget resolution on the Senate floor. During the debate, the Senate spoke on this point. Senator Cornyn's small business tax relief amendment passed by an overwhelming vote of 82 to 16.

Senator Snowe had a similar amendment that was accepted by the managers of the floor debate. Last week, the Senate spoke again. This time the question was framed on a motion to instruct the budget resolution conferees on the importance of keeping taxes on small businesses low. The vote grew to 84-9. Unfortunately, the conferees did not adopt the Senate budget resolutions protecting small businesses from tax increases.

America's small businesses have been suffering during this recession. You'll hear it in your events back home. I certainly do.

A very good source of answers about the environment of small business is found in the monthly survey of small business. This survey is published by the National Federation of Independent Business ("NFIB"). NFIB is the largest small business organization. NFIB has been conducting these surveys for 35 years.

NFIB's membership includes hundreds of thousands of small businesses all across America. I'd encourage every member to check out this month's survey. The survey shows some extremely disturbing trends. On credit availability, small businesses are getting squeezed very hard. I have a chart that shows the trend.

This credit crunch and other factors have contributed to a near-record low in NFIB's index of small business optimism. I have another chart that puts this data in perspective. What you see here is the attitude of the decision makers in small business America. Those are the decision makers for businesses that President Obama and Congress agree are the businesses most likely to grow or contract jobs. The pessimism is at its second lowest point in the 35 years of the survey. This data should concern every policy maker in this town.

As bad as the two sets of data are, it gets worse. Here's another chart. This chart shows the net increase or decrease in small business hiring plans. The survey asks the small business owner whether he or she plans to expand or contract employment over the next three months. As you can see, even more dramatically than the other two charts, this chart shows small business activity contracting tremendously. Small business hiring plans are at their most negative level in the 35 history of the survey. With this pessimistic environment, we should not be surprised that small businesses are hemorrhaging jobs.

The President's recent efforts to increase lending to the small business sector are commendable. The center piece of his small business plan will allow the federal

government to spend up to \$25 billion to purchase the small-business loans that are now hindering community banks and lenders. Unfortunately, though well-intentioned, that's a drop in a very empty bucket. Remember that small business accounts for about half of the private sector.

Moreover, the positives that will come to small businesses from this relatively small package of loans—which will ultimately have to be paid back—will be heavily outweighed by the negative impact of the President's proposed tax increases. Helping small businesses get loans just to take that money back in the form of tax hikes is not wise.

And, don't take my word for it. Just today, NFIB wrote to all of us on this point. NFIB's hundreds of thousands of small business owners oppose this conference report. I ask unanimous consent that a copy of the letter be inserted in the record. I'd like to quote from a portion of the letter:

“.. NFIB is concerned the conference report assumes the top individual tax rates will expire, which would mean a tax increase from some small business owners.”

Do we really want to raise taxes on these small businesses that create new jobs and employ two-thirds of all small business workers? With these small businesses already suffering from the credit crunch, do we really think it's wise to hit them with the double-whammy of a 20 percent increase in their marginal tax rates? As we move forward from the budget process, the President and the Congressional Democratic Leadership have an opportunity to change course. Both budgets would perpetuate the double whammy of constricted credit and high taxes directed at America's job engine – small business.

In the coming months, we Republicans will try to persuade our Democratic friends who have all the controls of fiscal policy to change course. One way they can change course is to focus, like a laser beam, on jump-starting the nation's job engine – small business America. We need an upturn in the small business optimism index. We need to reverse the direction of this sharply downward sloping arrow. If we ignore this negative environment, we're just kidding ourselves. We need to change course and reverse this even more sharply downward sloping hiring plan arrow. That's where the President and Congress agree we need to get more job growth. As we move on from the budget, let's recognize this reality. I yield the floor.