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Statement of Sen. Chuck Grassley
Finance Committee Hearing on Economic Stimulus with Secretary O'Neill
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Thank you, Mr. Chairman, for calling this hearing today. We need to continue to pursue bipartisan discussions of economic stimulus. This is a thoughtful and necessarily deliberate process that you have put in place. Mr. Chairman, we live in interesting times. The tragic events of September 11th have changed, at least temporarily, the way we do the people's business. The President has provided great leadership, and the Congress has responded appropriately. We need to continue to work together with President Bush.

It is important that this committee, even in these unusual times, plays its essential role in addressing the question of economic stimulus. I, for one, guarantee you, Mr. Chairman, that I will support you in your insistence that the Finance Committee has a role in any economic stimulus package or worker relief package. I'd like to make four points today. One, in terms of getting our economic house in order, the airline safety and anti-terrorism legislation are much more important than any stimulus package we could design. Two, the size of the package must not cause more economic harm than good. That is, if a large package will contribute to a tighter money supply, on net, we could be worse off. That would be a mistake. Three, out of political necessity, we will need to divide the package between investment incentives and consumer demand. Based on Chairman Greenspan's advice, I favor business investment incentives. Four, every proposal will have to overcome a high burden of proof that it is effective, efficient, and expeditious as an economic stimulus.

Let me start with my first point. We've got to keep our eye on the ball here. Chairman Greenspan and Former Secretary Rubin said the most important thing, by far, we could do, in the wake of the September 11th attacks, is restore the confidence of the American people, most particularly, the flying public. To that end, we need to move the anti-terrorism package and the airline safety package. If we can't respond on anti-terrorism and airline safety, no stimulus package will help, no matter how big. So, that's job one, get the anti-terrorism and airline safety bills out of here as quickly as possible.

Now, to my second point. We need to gauge the overall macroeconomic benefit of any stimulus package. Again, I'd refer to Chairman Greenspan's advice. He talked about \$100 billion, or 1 percent of the economy, as a credible benchmark for stimulus. Chairman Greenspan also noted that the stimulus pipeline includes about \$55 billion for airline relief, New York City rebuilding, and additional defense needs. So, I gather that, we're talking about another \$45 billion to \$50 billion in stimulus under Chairman Greenspan's formula. We have to be careful that we don't overdo the stimulus package or we could do more harm than good in causing interest rates to rise.

Now, to my third point. Assuming we are comfortable with the size of a proposed stimulus, we would need to decide the mix of purposes. That is, we'll probably need some on the consumer

demand side and the investment incentive side. I favor the investment incentive side, but I realize that we will probably have to address both consumer spending and business investment.

My fourth and final point deals with the specific proposals in a stimulus package. If we have agreement on the allocation between consumer demand and business investment, then we will need to design the specific policy proposals to carry out these objectives. Let me tell you I will very carefully scrutinize these proposals. The burden of proof will be a high one. To make the grade, the proposal will need to be effective, efficient, and expeditious.

The good news is that, if we get to this stage, there are some time-tested business incentives, like raising the expensing amount for small business. There are other measures that could be helpful on the business side, but, again, they will face a heavy burden of proof. Any consumer spending proposals will face the same level of scrutiny. Now is not the time to dress up either side's political agenda as stimulus.

I want to note something that gives me some pause in this exercise. That is, Budget Committee staff tell me that a stimulus larger than \$50 billion could send us into deficit spending for fiscal year 2002. That concern, and, it is a preliminary concern, not a fact, means any stimulus package will need to be, as I said above effective, efficient, and expeditious.

Finally, Mr. Chairman, the President is exercising leadership. He, like everyone else here, recognizes that we have an ailing economy. The President wants a stimulus package that is well thought out and bipartisan. The people expects us, as their representatives, to work with the President on this problem. If we are willing to focus on a serious package that is effective, efficient, and expeditious, then we can get there. If we "Christmas tree" this effort or use it to advance partisan agendas, then there will be no legislative product. No product is better than a bad product.

Today, we have before us a key player in the Administration's economic team, Secretary O'Neill. I look forward to hearing his testimony.