



Committee On Finance

Max Baucus, Chairman

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Opening Statement

THE ECONOMIC RECOVERY AND ASSISTANCE FOR AMERICAN WORKERS ACT SENATE FINANCE COMMITTEE

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This is a sobering time. Our nation is at war, on three fronts. One front is halfway around the world, in Afghanistan, where our troops are risking their lives.

The second front is here at home, where terrorists have attacked Americans where they live and work.

The third front is the economy. The September 11th attacks took a bad economic situation and made it significantly worse. Last Friday, we learned that 415,000 Americans lost their jobs in October. That's the highest number in more than 20 years. We had negative economic growth in the third quarter.

Unemployment is rising, corporate profits are falling, and businesses are cutting back on investments in new plants and equipment. The effects are most obvious in areas directly affected by the September 11th attacks. But the economic problem is not limited to those areas.

For example, my state of Montana has just about the lowest per-capita income in the country. We never experienced the so-called boom. For the past decade, we've had low growth.

Now, it's getting worse. In Montana, the attacks of September 11th are expected to reduce economic growth by almost a point this year. In short, all across the country, we're in a recession.

In this situation, our committee is called to write a bill that stimulates an economic recovery. What does this mean?

The President has given us important guidance. He has said that a bill should be stimulative, should be temporary, and should not increase the budget deficit significantly over the long term. The leaders of the budget committees have provide similar guidance, for which I commend Senators Conrad and Domenici.

Let me try to put in my own words. To stimulate economic recovery, our bill should be temporary. It should cost little over the long run. And it and should get money into the hands of those who'll spend it. That means businesses that will spend it on capital equipment. And consumers who will spend it on goods and services.

The Chairman's Mark that I have proposed to the committee is designed to accomplish these goals. It has six main elements.

First, we provide a tax rebate to taxpayers who didn't get a full rebate this summer. That's 45 million taxpayers, who have relatively modest incomes and are likely to spend the money right away.

Second, we temporarily speed up depreciation deductions to encourage businesses to invest in new plants and equipment. We all agree that this is stimulus.

Third, we provide additional help to the hundreds of thousands of folks who've lost their jobs, by temporarily beefing up unemployment benefits and helping them maintain health insurance for themselves and their families. To put it bluntly, people who have lost their jobs, and are struggling to get by, are likely to spend any additional money that they get, providing a direct stimulus to the economy. These provisions also have another virtue. They lend a helping hand to people that have been hurt by the weak economy.

Fourth, we provide help to states. At the state level, the economic crisis is creating a budget crisis, as states try to balance their budgets while revenues fall and spending rises. Our depreciation provisions will indirectly exacerbate the problem, by reducing the revenue of states that tie their tax collections to the federal income tax. Therefore, we lend states a hand, by temporarily increasing federal matching payments under Medicaid.

Fifth, we provide help to rural areas, by extending disaster payments to agricultural producers and increasing the funding for rural economic development programs. I know that some members are concerned about these provisions. So let me explain.

Business farm income in 1999 and 2000 was at a ten-year low. We had hoped that it would improve modestly in 2001. However, when we experience an economic downturn, our rural areas are often among those that are hit the hardest and recover the slowest. At times like these, agricultural disaster assistance and rural economic development assistance can be a lifeline. And these funds will provide a stimulus for the national economy.

I fully understand that these provisions are not within the jurisdiction of this committee. But we're trying to move very quickly, and the Chairman of the Agriculture Committee supports including these provisions in our bill.

Finally, we temporarily extend various tax and other incentives for one year. These incentives also will increase spending by businesses and households.

That's the Chairman's Mark. It's temporary. It provides a strong, balanced stimulus for economic recovery. It provides important assistance to workers who've lost their jobs.

And the long term cost is low. In fact, because a lot of the stimulus that's provided in the first year is recouped in later years, the bill actually cost less over ten years than it does in the first year. Over ten years, the cost is \$45 billion.

One final point, before I turn to Senator Grassley. We need to work together. Nobody feels this more strongly than I do. Right after the attacks, I began discussions on a bipartisan economic recovery package. Working with Senator Grassley, I called everyone together. Secretary O'Neill. Chairman Thomas. Congressman Rangel. The leaders of the budget committees. There seemed to be a spirit of bipartisan cooperation. We were making progress.

For whatever reason, the House Republicans withdrew from our bipartisan discussions and wrote a partisan bill. I'm not being judgmental. Just descriptive. That's what happened. I still kept trying. I was prepared to come up with a bipartisan compromise, in the committee, if the President would assure us that he would support that compromise in conference. But that assurance has not been forthcoming.

That's where we are. In this situation, it's difficult for those on our side to respond to a partisan bill with a bipartisan compromise. We'd be taking the risk that, in conference, the House will shun bipartisan compromise and insist on moving the bill from the center to the extreme.

Let me be crystal clear. We are prepared to move to the center. But only when we are confident that the center will hold. We're not there yet. But I'm patient. I pledge to listen carefully. In fact, I hope that today's markup will help us understand each other's point of view and help pave the way to a solid, balanced, bipartisan bill that we all can be proud of.

With that, I'll turn to my friend, Senator Grassley.