



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Sen. Chuck Grassley  
Hearing, "Revenue Proposals in the President's Budget"  
Wednesday, Feb. 5, 2003

Today, we will hear testimony on the revenue proposals in President George W. Bush's third budget. That budget covers fiscal year 2004. The witness will be Treasury Secretary John Snow. Secretary Snow, welcome to the Finance Committee, in your new capacity as the 73<sup>rd</sup> U.S. Treasury Secretary. Congratulations and welcome aboard. We have much work to do.

Mr. Secretary, Senator Baucus, and members of the committee, we find ourselves with a great many challenges. The American people expect us to take these challenges seriously, and I am confident that we will respond constructively.

The Finance Committee faces three major challenges this year. Under the President's leadership, we will need to address the sluggish economy, a prescription drug benefit for Medicare beneficiaries, and a resolution of the WTO ruling against the Foreign Sales Corporation replacement regime known as "ETI." In addition, we hope to address welfare reform and additional trade agreements. Two of the major challenges, the sluggish economy and FSC /ETI, are dealt with in the proposals Secretary Snow presents to us today.

Let's turn first to the sluggish economy. It seems to me that both sides of the aisle agree with President Bush's concern about the unemployed. That is, we need to help unemployed Americans get back to work. In order to meet that objective, we need economic growth. So, Mr. Secretary, the good news is that a bipartisan majority believe we should aim for faster growth.

There are some differences in how we achieve that objective. Instead of getting into those differences right off the bat, I'd like to take a different tack. I'd like to consider the economic picture in light of where we can find growth. I'll ask a series of questions as I move through the discussion.

As we look out across the landscape of America, we can start with Wall Street and the major service economy of the East Coast. There we find the stock market significantly lower than the "bubble" years of the late nineties. Stock values have been depressed by the events of 9/11, the corporate scandals, and other global factors. The dampened market has restricted the blood supply of business – capital. The question is what can we on the Finance Committee do about it?

Moving down the East Coast to Washington, D.C., we see the return of deficits. These deficits arise from higher wartime spending and reduced tax collections which are attributable to the economic slowdown. Keep in mind that these deficits are modest in historical terms when considered as a share of GDP. The question is what can we do to keep these deficits in line and return to balance?

As we venture across the country to the Heartland, we find the backbone of the American economy. That backbone is small business, agriculture, and manufacturing. In these areas, including my home state of Iowa, folks are feeling the ripple effect of world events and the Wall Street scandals. Small business creates about 80 percent of the jobs in the United States. The question is,

what can we do to help these folks rebound? When I talk about the Heartland, I'm referring also to the South, Southwest, and Rocky Mountains. We end our journey on the West Coast. In these states, innovation and high tech have been instrumental in the growth and prosperity of that region. The weakness of those economic sectors is now part of the reason for the high unemployment experienced out there. The question is what can we do to energize the tech sector once again?

In the coming weeks, the Finance Committee will be pursuing these questions:

1. What can we do to reinvigorate the stock market and generate more investment capital? For example, will the President's tax-free dividend plan boost the market and generate more capital?
2. How do we maintain fiscal discipline? For example, isn't it fair to look at the long-term effects of temporary spending increases if they are certain to become permanent fixtures in the budget?
3. What can we do to help small business and manufacturing rebound? For example, does it make sense to tax successful small businesses at 38.6 percent and the Fortune 500 at 35 percent? Should we have a robust expensing policy?
4. What can we do to bring high tech and other innovative sectors back? For example, would more bonus depreciation help the tech sector?

I ask these questions cautiously. The reality is that, as much as folks in Washington think we affect the economy, it is the businesses and workers across the country that matter. Businesses create jobs, add value and pay taxes. Workers produce goods and services and pay taxes. Our focus ought to be on incentives for private sector behavior and not expanding government.

While we're exploring these questions, I think it is important to explore them in a matter of unity. In recent days, many seem to have the impulse to divide workers from business owners, and consumers from investors. But these are complementary activities. You can't have one without the other. We can't ignore consumers and workers, who have kept the economy going. In the same manner, we can't ignore business owners and investors, who create jobs and provide the capital for higher economic growth. So, we will examine the relative merits of incentives for investment and consumption.

The Finance Committee will keep an eye on using the tax dollar wisely. We will have to operate within the confines of the budget resolution that Chairman Nickles will produce.

The Finance Committee will keep an eye on a proposal's ability to respond quickly to our economic problems. At the same time, a policy that produces economic growth in the short term and over the long haul should outweigh temporary fixes. I've wondered why good long-term economic policy that provides a short-term boost is not desirable. Yet some seem to arbitrarily divide the long-term and short-term horizons. When does one end and the other begin?

As is always the case, I anticipate the bipartisan cooperation that is the tradition of this fine committee. The American people expect us to focus on their problems and not on our own political agendas.

Secretary Snow, in addition to the growth package, I look forward to the administration's continued assistance on the FSC/ETI problem. The time to produce is fast approaching, and there is much at stake. I look forward to Secretary Snow's presentation of the revenue proposals in the President's budget.

