United States Senate
Committee on Finance

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Ranking Member

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Statement of U.S. Senator Chuck Grassley of Iowa
Ranking Member of the Committee on Finance
Committee Markup of Stimulus Bill
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Thank you, Mr. Chairman. Today, you place before us the Chairman's mark of the economic stimulus legislation. The provisions are just the Finance Committee portion. Other committees, principally the Appropriations Committee, will be producing other legislation that will complete the bill.

I'm first going to discuss process and then focus on the substance.

Mr. Chairman, I thank you for courteously and professionally consulting members on this side. We had one bipartisan members meeting where you heard us out. In addition, you apprised me of the negotiations between the Democratic Leadership of both the Senate and House of Representatives. Those Democrats-only negotiations were extensive. Folks on our side who read press reports could see that. Further evidence of that deal-making is the relatively small differences between the Ways and Means and Finance Committee packages. I congratulate you on those negotiations. The fruit of that labor is the Chairman's mark.

But let no one be mistaken that this bill is the result of bipartisan negotiations. While Republicans were courteously consulted at the member and staff level, we were never at the negotiating table. Speaker Pelosi best described the bottom line on the process. She said: "Yes, we wrote the bill. Yes, we won the election." That quote comes right out of the front page of the Washington Post, dated Friday, January 23, 2009.

Indeed, there is a rumor floating around about an informal agreement among Democratic members. The agreement appears to be to vote against any Republican amendment, no matter the merits. So, let's be clear. We know, at the outset, the markup will ratify a deal made between the Democratic Leadership and the Obama Administration. No Republican ideas need apply.

That's a few comments on the process. Now, I'll turn to the substance.

First off, I want to make it clear that most on our side agree with President Obama that a stimulus is necessary. The economy is flat on its back. Too many Americans who want to find work can't find jobs. A lot of Americans are worried that their job will be the next to go. We get that on our side. Everyone here knows we need to do everything we can to get the economy moving again. Where we differ is the degree to which the engine ought to be government or the private sector, especially America's biggest job creator, our small business sector. These are honest, well-intentioned philosophical differences, but they are there. On our side, we want the new jobs to come from the private sector. On the other side, the preference is to grow employment through an expansion of government.

By the conclusion of this markup, those differences will be plain to the American People. We will see the differences fleshed out in debate and amendments. That's the way it should be. Whether Republicans or Democrats have been in control, the test of proper stimulus boils down to three words. All of them beginning with the letter "t." Stimulus proposals should be timely, temporary, and targeted.

But if you apply the three t's test to much of the spending in this proposal you will find it fails the test. We'll get into that when we examine and debate the Chairman's mark.

Some folks might ask what's the problem if we overshoot and flunk the test. The first problem is we're running out of budget room. When the bill reaches the Senate floor, it is expected that the package will total at least $825 billion. All of this extra deficit increase would be proposed when the baseline deficit for this fiscal year will hit $1.2 trillion. That amount exceeds all historical records. As a percentage of our economy, that will mean 8.3 percent. That amount easily exceeds the previous peak of 5.7 percent in 1983. It's almost 50 percent above any comparable post World War II levels.

The figures on federal debt held by the public are likewise staggering. In the period of 2001-2007, debt held by the public increased by comparatively smaller amounts, roughly less than 1 percent per year. This year's change easily exceeds all of that. So, we need to acknowledge the deficit situation we're in. It is very serious. So, whatever we do, we ought to not make the long-term fiscal situation worse than it is.

The other problem is that, if we prime the pump too much and the pumped out stimulus doesn't materialize until after the hoped-for recovery is upon us, then we might risk too much stimulus. The result could be inflation.

Let's bring a sharper focus on this point. The Congressional Budget Office (CBO) and Joint Tax tell us that the package will spend out for fiscal year 2009 a total of roughly 21 percent of the total of $825 billion. Ironically, the tax policy stimulus, much maligned by the hard-core of both Democratic Caucuses, helps the spend-out ratio greatly.

The theory for erring on the side of overloading on the spending side is that we need to direct dollars to the folks most likely to spend them. This is the reason we are told that we need extra FMAP money, expanded entitlements, and other state aid.

It misses the point that the U.S. fiscal policy system already has an arsenal of anti-recessionary automatic stabilizers directed at the same population. These stabilizers provide immediate assistance to those most vulnerable to an economic downturn. CBO says these benefits, including food stamps, unemployment insurance, and Medicaid will grow to $250 billion this year. That built-in lower-income population stimulus will be equal to 1.8 percent of our economy.

It also misses the point about insuring that the lesson of moral hazards applies to the states. The fiscal problems faced by many of our states and localities are largely the result of their inability to keep spending in line with revenue.

Between the third quarter of 2006 and the third quarter of 2008, state revenue increased seven percent and state spending increased 15 percent. In other words, the states and localities spent $2.22 for each additional dollar of revenue. The states have been on a spending spree. And they've dug themselves a hole.

Now, we will hear that an FMAP slush fund for states is necessary to avoid tax increases at the state and local level. We'll also hear that vital services will be cut unless we cut a big blank check to the states. Some on our side will test those assumptions with amendments on those points.

Mr. Chairman, from our side's view, those are the major shortcomings on the substance. Although we've heard there's a deal to vote down our amendments, no matter whether they are meritorious or not, we'd like to be constructive and build on the parts of the package we support. In this respect, we'll go back to the major difference between the parties on how to get the economy moving again. On our side, we'd like to push more incentives for long-term growth of private sector jobs.

There is a good start on a broad-based middle-income tax cut in the package. We'd like to expand the tax cut to cover all middle-income taxpayers. And we'd like to direct that at labor and capital income earned by middle income taxpayers. Since we weren't at the negotiating table to offer these pro-growth ideas, you'll see them arise as constructive offers to improve the package before us.

The House-Senate Democratic deal did not contain relief from the Alternative Minimum Tax (AMT) that at least 24 million middle-income families face this year. We'd like to insure that the stealth AMT doesn't consume large chunks of the middle income tax relief that both sides agree needs to be in the package.

Now I'll turn to some of the health-related provisions on the Chairman's Mark. Spending in this bill should be judged based on two criteria: will it stimulate the economy and is the money being well spent?

Mr. Chairman, we will have honest disagreements over whether several of these provisions are actually stimulative. Improving health information technology is critical for our health care infrastructure. I would support many of the provisions that are in the Chairman's Mark. But I have to ask: will it stimulate our economy and is it money that we should add to the deficit rather than offsetting it?

It wasn't so long ago that $16 billion was a lot of money around here. Providing assistance to states makes sense if we are concerned about states raising taxes or cutting spending. But is $87 billion the right number and is increased Medicaid spending the right way to do it?

Could we better stimulate economic recovery using all or parts of that money elsewhere? The Chairman's Mark also includes a two-year extension of our current Trade Adjustment Assistance programs. I'm working with the Chairman to see if we can agree with our counterparts on the House Ways and Means Committee on a broader reauthorization of these programs, but that's still a work in progress.

Apart from Trade Adjustment Assistance, I'm disappointed that this Administration isn't focusing on trade as a component to the economic stimulus package. Opening up new markets for U.S. exporters should be part of the mindset to stimulate our economy. Our pending trade agreements with Colombia, Panama, and South Korea, provide significant opportunities to do just that and should be implemented as soon as possible.

As we go through the bill, I will offer several amendments that I hope will be accepted to try to make the bill better answer the questions I have raised. People see Congress spending vast amounts of taxpayer dollars and they are counting on us to ensure their money is spent wisely not wastefully. Thank you, Mr. Chairman.