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GROWING THE ECONOMY AND JOBS

The SPEAKER pro tempore (Mr. SCHAUER). Under the Speaker's announced policy of January 6, 2009, the gentleman from Missouri (Mr. AKIN) is recognized for 60 minutes as the designee of the minority leader.

Mr. AKIN. Mr. Speaker, it is a pleasure to join you and my colleagues this evening on a subject that has been of great concern and attention to Americans now for a number of years, unfortunately, and that is the subject of the economy and jobs. This ongoing discussion and debate is taking new turns here the last few weeks, and I think it is helpful and perhaps informative to try to put that into perspective somewhat.

The thing that I think that perhaps we have to understand from the beginning is that the whole question of the economy and jobs is owned right now by the Democrats, because that party has been driving the train for the last couple of years.

The distinction between the parties has never been more sharp over the past 2 years because of the fact that you have had almost entirely party-line voting on major piece of legislation after major piece of legislation. When it came particularly to the stimulus, it was called the stimulus bill, some people called it the ''porkulous'' bill of a couple of years ago. That was a black and white kind of party-line vote, along with quite a number of other items on the agenda.

So what we have right now is essentially the Democrats have been running things for a couple of years, and we have got a recession going. And the question is, what are we going to do about the economy and about jobs?

There are two solutions to the problem. The ones that the Democrats have proposed over the last couple of years have been a very, very high level of Federal spending, and what they consider to be stimulus, which is more Federal spending, which they think will somehow fix the economy.

For a couple of years I have been here on the floor on Wednesday evenings saying, with all due respect, I don't think that solution will work. I am not saying that it won't work just because I think it won't, which I don't, but also because prominent Democrats have also said that it won't work.

I have quoted Henry Morgenthau, FDR's Secretary of the Treasury. They tried a whole lot of Federal spending. It was the time that ''Little Lord Keynes'' had come along and it was all the rage. If you get in trouble economically, spend a lot of money, and that will get the economy ''stimulated'' and you will pull right out of the recession. That is the theory.

It has not worked. It has never worked. And after about 8 years, Henry Morgenthau, a Democrat, came before the House Ways and Means Committee and said, it won't work. He said, we have tried spending, and unemployment is as bad as it ever was, and we have a huge deficit to boot. Well, it didn't work then. It still hasn't worked for the last couple of years.

I think the point as we move forward into this discussion about what are we going to do with the expiring tax cuts left over from the Bush administration, I think it is important to understand where we are in context, and that is we have come to a point where the Democrats have been making the calls and they have been driving this equation and the economy and jobs has not turned around.

We were told at the time of the stimulus bill that if we did not pass the bill, that we could have as much as 8 percent unemployment. Supposedly, if we did pass the bill, unemployment would be lower.

We did pass the bill. Unemployment jumped to about 10 percent. And those numbers are pretty conservative, because people who have been looking for a job for over a certain number of months are no longer counted as unemployed. So in fact the unemployment number is probably higher, by the way many people would calculate it. So, that is what has gone on.

Now, this is not complicated economics, if we are really serious about creating jobs. But there really are two different party solutions: One is more bureaucracy and food stamps; the other is more jobs and paychecks. That is America's choice, and America chose in the November election to move toward the more jobs and paychecks and less bureaucrats and food stamps. But this is some of the spending we are talking about in the last couple of years. You just can't do this and have it not affect jobs.

We had the Wall Street bailout, which some of it was supported by Bush in the past, but also by the Obama administration. Then you have got this supposed stimulus bill, $787 billion, which was a total disaster, and other miscellaneous items here. Then, of course, health care reform, which is the biggest of all, ObamaCare, at about $1 trillion. So you have a tremendous record of Federal spending.

Let's step back a little bit and go back to the things that we know work. You can go to anybody who you know that started a small business, people that run businesses; you can go to Main Street anywhere in America and you can ask the people who run businesses, what does it take to make jobs? It is not very complicated. But you will never be able to, as the Democrats try to do, separate the employer from the employee. If you want jobs, you can't destroy the employer. If you destroy companies, you will have less jobs. It is that simple.

So, let's say that you ask people on Main Street, well, what are the things that you have to worry about in terms of destroying jobs? The thing they are going to tell you probably first out of their mouth is going to be excessive taxes. When you have too much taxes on business, what happens is they use their money to pay the taxes and they don't use their money to invest in new equipment, new processes and new R&D and various ways that when they invest they create more jobs.

So the first thing that is an enemy to job creation is, first of all, excessive taxation. So what we have coming along now, and everybody has known it for years, is these tax cuts are coming along, they are going to expire and it is going to be a massive tax increase.

In fact, we have what in a way is a tax increase train wreck. You could think of it as the train is steaming along and everybody knows the bridge is out. The bridge is out on January 1st, 2011, the tax cuts expire, and what happens then, America receives the largest tax increase in the history of the Nation. Now, that is very bad medicine for an already-sick economy. So that is the situation we are facing.

So there is no surprise about this. Everybody has known these tax cuts are going to expire and there will be this whopping big tax increase, and somebody has to do something about it. So now we are waiting to the last couple of weeks of December to try to deal with this problem. That is not particularly responsible, I suppose.

So what is it when you go to Main Street and you ask businesses, what is it that kills jobs? Well, the first thing is major heavy taxes on businesses and on entrepreneurs and on the people that run businesses. That is the first killer of jobs. Now, we are doing that in spades. We are doing a lot of that. And if these massive tax increases come along, it simply makes it a whole lot worse.

What is the next thing that businesses would talk about that would kill jobs? Well, it is something else that eats into their profits, and that is a whole lot of red tape and government paperwork. So how are we doing in that department?

Well, one of the big bills that the Obama administration, the Democrats, wanted to push was cap-and-tax. That was the tax and tremendous amount of new red tape and bureaucracy to prevent global warming.

Now, if you believe in the theory of global warming, one of the things it says is it is really bad to create CO_2. An honest attempt to stop global warming would say, well, we probably need to stop burning as much carbon in any form and move to some other source of energy generation, which suggests nuclear. If you were to take the number of nuclear power plants in America and double them, you would in effect get rid of the same amount, if you did that, of all the CO_2 produced by every passenger car in America.

The bill didn't do that. The bill created instead more taxes, which, again, kill jobs; and, second of all, a tremendous amount of red tape.

Now, that bill didn't pass because of the fact that even some of the liberals

thought this didn't really make a whole lot of sense. Instead, the Obama administration has said, well, what we are going to do is we are just going to implement it through rules and regulations.

What does ''rules and regulations'' mean? Well, in street language, that means a whole lot of red tape. What does that mean to businesses? It means less jobs. It means it either prevents jobs from being created or kills jobs that are already there, because the red tape again costs them overhead to have to deal with it, and the increasing volume of red tape makes Americans less competitive, which then, of course, shifts jobs overseas.

So the second thing, after a whole lot of taxes that makes it hard on jobs, is too much red tape. Unfortunately, we are doing that as well.

So then you have got a whole series of other things too that are all contributing to this excessive loss of jobs, and that is going to be uncertainty. Now, one of the things the way businesses operate is if you don't know what the future is going to be, you are going to be very careful about taking any risks or making any investment in new equipment or new processes or new technology which is going to create jobs. So uncertainty is the third big enemy of job creation. How are we doing in uncertainty?

□ 2250

Well, what is being talked about as a way of stopping this massive tax increase is simply kicking the can down the road somewhere between a year to two years. And so does that help in terms of uncertainty? Well, people argue is the glass half full or is it half empty? It seems to avert the train wreck, but it is like you've got a train about to go off of a bridge that's out and you build a couple more spans of track further out but the track still ends. And so I suppose you avert a problem but, on the other hand, from an uncertainty point of view, it still creates uncertainty.

If you're wanting to know how you're going to do estate planning in terms of the death tax, to know that the thing is going to be extended with additional coverage up to $5 million and cover a 35 percent tax rate, but you know that's only going to happen 2 years, that doesn't help you a whole lot in estate planning. It may help for a year or two, but it still leaves a huge question mark.

But not only is the death tax a question mark, but capital gains and dividends. Another thing that takes time to plan for is a question mark. Is it better than having the train go off the cliff? Perhaps. But it still does not solve one of the things that makes it hard to create jobs, and that is if you've got a whole lot of uncertainty. So this, in a sense, may increase, but it certainly doesn't help the high level of uncertainty that's coming along.

In fact, it's been argued in the Wall Street Journal that the whole tax policy now, because there's so many different parts of it that are part of this deal that's been struck, that you really do create almost more uncertainty because there's no definitive final solution. What are we going to do? What is Federal policy on the death tax? Are we going to tax people after they die? One more chance to get them after we have taxed them all their life, the money that they have saved that they didn't get taxed on, we're going to get it again a second time or a third time. So the uncertainty is a big factor in jobs.

The next one is liquidity, which we, again, have not done a good job with. Liquidity is the business owner may want to go to a bank and get a loan. Typically, those loans are negotiated on about a 5-year basis. They pay a pretty good interest rate because the banker is taking some risk. So the banker, if things go well, does well with it. On the other hand, if the small business struggles or fails, then the banker gets caught, too. So there's the question of liquidity, do the small businesses have the liquidity they need to move forward.

With the new banking regulations you have Federal bureaucrats all over the bank saying, I don't think that's a good loan you've made to Joe Blow over there. And so the Federal Government is second-guessing what the banks do and requiring the banks to have much higher interest rates but also higher percent of collateral for anybody who borrows money. That makes liquidity more difficult. That makes job creation more difficult.

And the last thing of the five things that you will hear when you go to Main Street and ask a business owner what are the things that make it hard to create jobs, they're going to say Federal spending. Federal spending just absorbs money out of the economy. It makes it so the businesses are starving. If you starve businesses, then you're going to starve jobs. You cannot disconnect the business from the jobs that it creates because if you're going to get a job, you're going to work for an employer. It sounds not very complicated. And yet somehow here in Congress we seem to forget—the Democrats seem to make the disconnect on those things.

So these are all policies that have been set up by the U.S. Congress. It is not a surprise that there's unemployment going on because we're violating all five of these basic principles of job creation. So then the debate comes, Well, what are we going to do about these taxes that are expiring? We have had a number of years to think about it, but nobody wanted to do anything about it. But now, after the election, we're starting to say, Hey, this really may be a problem. And the President, because the buck stops with him, to a large degree, has been the first to acknowledge within the Democrat groups between REID, PELOSI and the President, the President is saying, Hey, we better do something about this. If nothing else, whether he is seeing the light, at least he felt the heat in the November elections.

So the question is then you have got this pattern of all five of these things being wrong—the taxes, the red tape, the uncertainty, liquidity problems of the banks, and the Federal spending. All of these things are done the wrong way. And so the Republicans, because things have been so polarized, we voted ''no'' on all of this stuff, it is quite clear that there is this sharp contrast between what we're going to do now.

Now the contrast becomes more blurred with the proposal of trying to do something at the last minute with the Bush tax cuts. So we're going to do a look at that in a minute and what is the nature of those tax cuts and what was the effect when the tax cuts went into effect.

So, moving along, we continue to see the deficit under the Democrat budgets. Now there was a lot of talk that the Republicans under Bush overspent. And it's true that the Republicans did overspend. You can take a look at some of these. 2002, you had a $400 billion debt here. It went down, until we get to 2008, this was under Speaker PELOSI's Congress, but you had $459 billion when Bush was President of deficit, and that a lot of people objected to and said, Hey, that's terrible. We're going to change these elections around. We're going to elect a different President, et cetera, et cetera.

So these were the Bush years; and now look, all of a sudden here you get to 2009, with Obama, and you have got these trillion-dollar deficits, which are three times the very worst that Bush ever had. So we're talking about a level of spending that's unprecedented. So when we use this term on this chart ''stupendous spending,'' it really is stupendous spending. It is unlike anything we have seen before, and it makes George Bush look like some sort of a Scotch Presbyterian or something because he is not spending at all compared to this trillion-dollar operation that's going on here. Of course, that results in unemployment.

Now I have been critical of the Democrat policies because historically and economically they're going to create unemployment. They have done that. And so the question is, Do you want more bureaucrats and food stamps, or do you want jobs and paychecks? That's what America has to answer. Now what is the solution to this? One of the proposals is to not let these tax cuts expire. Then the question becomes, Well, then doesn't that add to the deficit? Well, part of it does and part of it doesn't. That's kind of the interesting thing that goes on here. If you continue to pay people for not working, which is extending unemployment, and certainly because there is a high level of unemployment, that's appealing. But the trouble is the unemployment is created by those terrible policies of too much taxes, too much

Federal spending, the uncertainty, and liquidity, and those other component parts.

So here's the solution to some degree, and that is when you cut taxes, in fact what happens is you don't build a deficit. You reduce the deficit. Well, how can that be? If you cut taxes, it means the government gets less money, doesn't it? If the government gets less money and keeps spending at the same rate, doesn't that mean you have more and more deficits? The answer is, No.

Because of a very interesting effect that was made public I suppose by an economist by the name of Laffer, quite a cheerful fellow. He was here in the Capitol no more than a few weeks ago. He was an economist under the days of Ronald Reagan. And what he has shown is this red line is the rate of the total Federal tax. The blue lines are the total Federal tax receipts in dollars. And this is the top marginal income tax here, going from all the way up at 90 percent, dropping way down. And it's the top marginal rate that is the rate on all of these supposedly rich people who, by the way, the rich people are the ones, a lot of them, own those businesses that create the jobs. So if you tax them into the dirt, what is going to happen to the jobs? You won't have the jobs. You broke the code. If you want jobs, you're going to have to allow people to keep their wealth and invest in business.

So what Laffer is saying here is we dropped historically. As we drop this top tax rate, take a look at what happens to the total tax receipts of the Federal Government. The tax receipts are going up. Doesn't that seem counterintuitive? Doesn't that seem as though you're making water run uphill? The answer is, no, it is not. And here's, I think, a simple way to try and understand it and it helps cast light on the votes that are coming up here later this week and perhaps even the week of Christmas. There has been certainly the threat that we'll come in on Christmas week and maybe New Year's week as well. It's interesting that we couldn't get our business done so we're going to try and jam it all in at the last minute. And it's also interesting to see what the real priorities are.

So what does this say? Well, for instance, let's say that you are made king for a day or king for a year and your job is to try to raise as much revenue for your kingdom as you can so you can run your government.

□ 2300

You're allowed to do one thing. You can tax a loaf of bread.

Now you start thinking and contemplating, and you say to yourself, Well, if I were to charge a one-penny tax on every loaf of bread—and there are millions of loaves that are sold—why, we'd raise some money.

Then you'd say, hey, instead of a penny, what happens if I charge $10 for a loaf of bread? Why then, certainly, that would make a difference. If you charged $10, you'd get much more.

Then you think, Well, wait a minute. Nobody would buy any bread if you put a $10 tax on it. So you start thinking to yourself, There is probably some optimum between a penny and $10 where I would get the most revenue on the bread. If I were to raise the tax, I'd actually lose revenue because more and more people wouldn't buy any bread, and so I'd actually have my tax revenue go down even though I'd raised the taxes. On the other hand, if I were to lower the tax too much, then I wouldn't get as much revenue as I could.

So there is an optimum point, and that's what Laffer is really pointing out here, that the taxes are so high that, when you actually drop the tax, the Federal Government makes more money. You can see it. This is one graphical display. This is just talking about the top marginal income tax rate. We're going to see it even on the larger scale as we take a look specifically at the Bush tax cuts in 2001, particularly the Bush tax cut of May 2003.

So how did things unfold back then in 2003? I have some charts I think you will find very interesting.

These charts are all laid out in essentially the same way. I have three charts in a row. The line that appears right here on all three charts is for May 2003. These are the years across here. This is 2001 March. There were a bunch of tax cuts here. You can see that the job creation isn't looking too solid in here. Some of the tax cuts we did were politically ''feel good'' kinds of things—giving people some more money to spend and a few things like that—but there was another tax cut which was part of this whole series in May of 2003.

What we're going to focus on is this tax cut. This was capital gains, dividends, and the death tax. Now, those are not popular tax cuts because it seems like they're tax cuts for people who have more money, but again, the people who have more money are also the ones who are driving a lot of those businesses that have the jobs.

So let's take a look at what happens.

This is May 2003. We introduced the tax cut to cut the capital gains, to cut the death tax and the interest, the dividend rate. So let's take a look. This is pretax relief. This is job creation. Every line that goes down indicates that we have lost jobs out of the economy. That's what we've been doing now for a number years. We've been losing jobs out of the economy. This isn't good. We don't want to lose jobs.

Why do we lose jobs? Because we are violating the basic principles of economics.

Now, we were losing jobs during these early years. We did some tax cuts, but the tax cuts didn't seem to turn this around, which suggests that not all tax cuts are necessarily going to create jobs.

Here we go May 2003. Take a look at what happens now to job creation. All the lines going up are creating jobs. You can see there is a pretty good difference between here, which is before the tax cut, and after the tax cut. So we see the immediate reflection in terms of jobs.

Now, are jobs the only things created by this tax cut? That's kind of interesting.

This is what we've been saying all the way along for a couple of years now. My Republican colleagues and I have respectfully stood on the floor and have said we love the Democrats, but they're doing everything wrong to the economy. They're going to create unemployment. They're going to create distress in the economy. They're going to make it hard for businesses, and they're going to ship jobs overseas. We've been saying that. We're saying this is not going to work. You're not going to be able to reduce the deficit. You're going to increase the deficit, and you're going to break the back of America economically if you keep on doing this. We've been saying this over and over again from this floor. Now the numbers, after the last few years, indicate that that's exactly what's happening.

The fact of the matter is we don't have to not learn from history. We can learn something from history here, which is that this tax cut particularly seems to have done an awful lot to change the job picture.

Now, of course, you could always make the case. You could say, Well, maybe it wasn't the tax cut that produced this effect. Maybe something else was going on here that would explain this.

The only other thing that is happening in the economy here is that Greenspan has got the interest rate close to zero, and that of course was driving the big real estate bubble, we now know. That's what happens when the Fed drops their interest rate very low. You have all of this easy money looking for someplace to invest. In this case, they landed on real estate, and created a big problem. So you could say that the interest rate being low could contribute to this, but it's interesting that you get this very stark and immediate contrast when this tax cut goes into place.

Let's continue this because it's kind of a little bit of history that is going to inform us as to where we need to be in the decisions going into the new year.

Here is the same tax cut here. This is again the beginning of 2003, but this is the gross domestic product. Of course, that's a measure of the overall productivity or of the efficiency of the U.S. economy. This is pretax relief. The average GDP was 1.1 percent. You can see it was not only 1.1 percent, which wasn't great for GDP, but it also was kind of spotty. You had this one where it was actually going down in gross domestic product, and these numbers were not very high.

Then you go to the tax cut—capital gains, dividends, and the death tax.

Now this is only carrying the thing over to 2006. These are older charts, but they're interesting charts. You can see the effect afterwards—at least it appears to be an effect—of going from 1.1 to 3.5, depending on which year, but the difference is that it is a marked difference.

The scary question then to suggest is: If there is a causal relationship between this tax cut which allowed businesspeople to make more investment in American businesses, what happens if you turn the economics upside down and do it in reverse? What happens if that tax cut goes away? What does that mean relative to job creation if, all of a sudden, this thing, this event which created more jobs—what happens if you do it upside down? Isn't it logical that if these tax cuts expire that it will have the reverse effect? That it will do the very thing opposite of what it did when it went the other way?

That's a very scary thought because, if all of a sudden we have now 9 or 10 percent unemployment and we do something to make that worse, that's not a very good idea. That's why even moderates and even the President are starting to say, I'm not so sure we want to burden America with the biggest tax increase in the history of the country right at the time when it's not at all clear that we're even out of the last recession.

There are some people who are optimistic. They think, Oh, we pulled out of the other recession that we were in.

I'm not so sure.

I measure that based on those same 5 points we've been talking about, which is the problem with excessive taxes, the problem with excessive redtape, the uncertainty created by all kinds of government actions in the marketplace, the liquidity problem in the banks, and of course excessive Federal spending.

So here is GDP after the tax relief. Do you see that the GDP has gone up? The job creation looks good.

Here is the last chart—also very interesting. This is the one that we talked about just a few minutes ago, which appears to almost invalidate the law of gravity. You cut taxes here. This red line here is Federal revenues, and Federal revenues are going down. Then we cut taxes, and you think, Oh, they're going to go down even more. Terrible. There's going to be a huge deficit because we've cut taxes, and now there's going to be a deficit. So the Congressional Budget Office adds it all up, and says, Well, golly. If we're making $100 with this tax now and if we cut it in half, why, we'll only make $50.

It seems like a logical assumption, but it's not. Take a look at what happened.

When you cut taxes, businessmen invested the money. Businesses started getting going. As businesses got going, they raised more taxes. So what happened is the Federal revenues actually went up as a result of the tax cut.

That's one of the reasons there is this fundamental difference between Democrats and Republicans. Democrats always want to say, if you're going to do a tax cut, you have to pay for it by cutting something. It sounds like good economics. It's not good economics. The fact of the matter is, if you do tax cuts, if they're the right kind of tax cuts, you actually get more Federal revenues, and it does not hurt the deficit. It helps to reduce the deficit.

□ 2310

That was the effect in 2004, -5, -6 and -7. You can see 4 straight years of increases in Federal revenues as a result of these taxes.

Now, here's the scary question again. I'm going to say it over and over: What happens if you turn this math upside down? Instead of reducing capital gains and death tax and dividends, what happens instead of reducing them if you increase them in the biggest tax increase in the history of the country? Will it not do the exact opposite? And when you increase those taxes, is it not possible that the Federal revenues will drop even more rapidly and the deficit will become even more unmanageable? I think there's good evidence, and many solid economists would say that we do not want to allow these things to expire.

Now, let's just say that the Congress votes in the next couple of days, as I think, being a Member of Congress, I suspect we might well do this. We'll vote and we will pass this supposed tax cut deal. Does that solve the problem of excessive taxes? Well, it gets rid of a problem of the biggest tax increase in the history of the country coming, so it's averting damage. But if you take a look at where we are right now, we are still overtaxing and we've got the unemployment problem. So it's good to avert the evil, but does it really fix where we are? No, it doesn't.

And does that then change the red tape picture? No, the red tape picture is still bad. Does it change the liquidity picture of the banks? No, it doesn't change that. Does it change the high level of Federal spending? No. It makes it worse, because we're spending some money which is not tax cut money, but we are spending money on extending unemployment, which is a legitimate form of Federal spending which does affect the deficit. So it doesn't help the deficit in that way.

And certainly the question of uncertainty is one of those things. Is the glass half full or half empty? Right now, we have certainty there's going to be a train wreck, there's going to be an economic disaster on January 1 because we have not dealt with the massive, massive tax increases coming. There is some certainty in that. It also means there is a big problem coming.

On the other hand, is kicking those tax cuts forward by 1 year or 2 years, does that create more certainty? Well, the answer is no. It's maybe a little more certain, but it still doesn't give you a basis for planning, for estate planning or for capital gains dividends, those kinds of things for the businessman, no. Their loan cycle is typically a 5-year cycle to the banks, and so having a capital gains dividends policy that's extended out a couple of years doesn't get within that 5-year window. So is there more or less certainty? Well, you can argue back and forth.

So the Republicans are caught sort of in a weird situation. We think, well, certainly you shouldn't nail America with the biggest tax increase in the history of the country, that doesn't make sense, but even if you avert that disaster, does that mean these other elements are taken care of? And the answer is clearly no.

Do you think that the things that are burdening our economy, that's holding down job creation, that makes it very difficult on families, do you think those conditions have been mitigated? No. No, we're still taxing too much. We're still have too much red tape, too much uncertainty, too much Federal spending, and the liquidity problem with the banks is still not taken care of.

So here we are. We've got before us a bill. Republicans are kind of scratching their heads on it because it has some bad parts and some good parts, and we understand what we have to do. This bill is not really going to solve the problem of unemployment. It's not going to solve the problem of overtaxation. It just prevents an evil from happening.

But it is interesting to note what level of risk there is ahead for America if this issue of these taxes is not dealt with, and we're not in a position to be able to do that. That's something that has to happen with the Senate and it has to happen with the President, and they're going to have to get serious about reducing spending and also reducing taxes. And over the next number of months, I have not the slightest doubt that a Republican-run House is going to choose, they're going to choose jobs and paychecks over bureaucracy and unemployment. Not bureaucracy and food stamps. That's not our choice.

Our choice on the American Dream is to allow people to take risks, to invest their own money, and to get jobs and to receive paychecks. We think that's the best form of security. Economically, it is a good paycheck. It's the best thing for a healthy Nation.

And so we will be making proposals to cut taxes, to cut red tape, to create certainty, and to reduce Federal spending, all of those things. We'll be making those proposals, but we won't be able to pass them. We can pass them out of the House, but it's got to get through the Senate. And if it gets through to the Senate, it has to be approved by the President. So everybody will be able to see what's going on.

Now, in the past when I was here, 2001, 2002, 2003, we passed a number of things through the House that were

very good policy that no one paid any attention to. They were killed by Democrats in the Senate because we never had 60 votes in the Senate. A couple of those are kind of interesting.

One of them is an energy bill, because it said we've got to pay attention to the fact that we are dependent on foreign countries, particularly the Middle Eastern foreign countries, for our oil supply. We are too dependent on foreign oil, and so we put a number of energy bills together, killed in the Senate by Democrats.

We also recognized that there was a problem with health care, that there were some things that were out of balance. We said there's some things that have to be done. We've got to do some tort reform. We've got to do some associated health plans. We've got to make some changes in health care. All of those proposals were killed in the Senate by Democrats. 20/20 hindsight, just like energy, fixing health care was an important priority.

And then we also passed a bill particularly to try to rein in the excessive practices of Freddie and Fannie. President Bush on September 11, 2003, in The New York Times, not exactly a conservative oracle, said he wanted authority from the House and from the Senate to allow him to regulate Freddie and Fannie because their financial practices were out of control and were really going to become a liability. We passed legislation to do that. It went to the Senate. It was killed by the Democrats in the Senate.

In each of those cases, a Republican House passed legislation that historically, you look back and say, policywise, you're right, nobody noticed it. The media didn't cover it but it occurred, and you can check it. It's part of the RECORD. And the same thing could happen in this next year, but I don't think it will. I don't think it will, because I believe that Americans have been paying more attention to what's going on in government.

I believe that Americans are fed up. I believe that Americans are at the point where they're saying that government is no longer the servant of the people, that government is becoming a master. It's an out-of-control government, and it's time to start putting the genie back in the bottle, and they're going to do that one way or the other. The question is whether those of us that have been elected to serve as servants are going to step up to our job, cut the red tape, cut the bureaucracy, cut the Federal spending, cut the taxes, and make the Federal Government a servant of the people.

In order to do that we can't just simply say, well, we're going to take 10 percent off of this department, 10 percent off of that department, 10 percent off another department. We can't say we're going to cut waste, fraud, and abuse, because there isn't any budget item that says waste, fraud, and abuse. It's a more complicated process than that.

What we have to do is go back to the drawing board, which is the U.S. Constitution, and we have to start asking ourselves what are the essential functions that the Federal Government must do and those we must fund. And particularly, that includes providing for the national defense and the other things that are not essential that the Federal Government do. We must start to say maybe we should just plain get out of that business and turn that back over to the States and turn it back over to local cities and to the citizens of America and let them deal with those things, because Americans are fed up. They're fed up with unemployment. They're saying no more bureaucrats, no more food stamps. What we want is jobs and paychecks. And I think that's where the public is heading.

So the question then becomes, well, what's everybody going to do on this big tax bill? The answer is we could avert some evil, but we're not going to solve the real problems that we have to do by simply postponing or kicking these things down the line a little bit and creating more uncertainty and postponing them.

□ 2320

On the other hand, we cannot allow the major tax increase to go forward, so you're going to see a checkered pattern in the voting, particularly the Republicans. There will be some for and some against them, arguing whether the glass is half full or half empty.

But there won't be any argument about what we need to do. There is no argument about the fact that we do not want 10 percent unemployment. There is no argument that we want the Federal Government to be a fearful master. We are sick of that, and it's time for things to change. And that is, to some degree, what has led me personally and quite a number of other Republicans to understanding that as we approach this next year, that there is a new area that we have to go to. And that is, we have to take a good look at this wonderful Chamber; we have to take a good look at the U.S. House and say, Have we really run this place the way it should be run? Or have we allowed a series of fiefdoms over the years to build and develop where we have created a structure that is so unmanageable, so crusty, so interconnected, and from a systems point of view, so unmanageable that even if you put good people in it, you get bad results?

I believe that the results of the excessive growth of the Federal Government indicates that there is a need for a redesign of the House entirely. We need to take a good look at the budget process. There is a lot of confusion over earmarks and what should or shouldn't be the job of the Congress to appropriate money constitutionally. We need to take a good look at—you can see that we have started that process by the new schedule that's being published already. It says, we are going to tell people ahead of time, we're going to be in, serving in Congress, on these particular days. There won't be votes before noon time, so committees can actually do their work without telling witnesses that have flown across the country to testify that they have to wait 45 minutes while we name another post office after somebody. And we are going to know for sure that on the day we get out that there won't be votes after 3 o'clock so people can schedule their flights home and can be doing work back in their districts.

So what we're trying to do is to redesign the entire system so we can deal with these kinds of problems. But we're not going to do it with a quick shot that says, Hey, let's just postpone this problem for a year or postpone another problem for another year and a half and have the thing still hanging out there. There has to be specific tax policy. It has to be a tax policy that is friendly to American jobs and allows us to be competitive.

It gives me no satisfaction to see us create a set of rules which are guaranteed to have the international corporations in America say, Hey, you're making the rules so that we can't put jobs in this country. We'll still make a profit. We'll still create jobs. The jobs will be in a foreign country. What good is that to us? It maybe makes some business people or investors a little bit more money, but it isn't where we should be going with Federal policy. Our policy should be, America can be competitive, but let's not create a system where we basically are destroying ourselves. And that's what's going on with excessive taxation and with excessive red tape and all. So that's where we are.

What we're seeing again is this rush in the last week or two of this year to do things that show a priority that is a bit weird. Today I was on the floor a little earlier, and I commented on the fact that a long, long time ago, there was a chance to see a total solar eclipse. Now if you've never had a chance to see something like that, they don't happen very often. But I was out on the edge of Massachusetts, on Cape Cod, and it was an area of the U.S. where there would be a total shadow; that is, the Moon totally comes in the way of the Sun. And right in the middle of the day, the Sun just darkens up slowly. And light doesn't totally disappear, but it is an eerie and strange feeling. That doesn't happen very often that you can observe an eclipse.

What happened today was also a kind of eclipse, what's happening at the end of this year. This is the first time in I believe it's 48 years that the House has not had a defense budget. That is weird. That's an eclipse of reason that we have no defense budget. And so today when the House has no defense budget, instead what do we vote on? Well, we vote on getting rid of the Don't Ask, Don't Tell, so we're going to deal with gay policies in the military.

We don't even have a military budget, and we're pushing some social agenda here in the last couple of days for fear that the new people that come in won't really want to do this thing. So at the last minute, we're going to hurry up and do something which you've got three generals—a general of the Army of America, a general of the Air Force of America, a general of the Marine Corps all are saying it's a bad policy. We have got two wars going on. And what are we doing? Are we doing our business? Are we passing a defense budget?

No. No, instead, we're tampering around with social policy to try to make some constituency happy. Why do we want to burden the military with social policy anyway? Why not allow them just to defend us and keep the discussion on social policy as an American and a local kind of question. Let the States deal with it. No, we're not going to pass a military budget. We're going to do that. It is a question of priorities here.

And this effect that we're seeing says there is big trouble next year if we don't do something about what happens. Because if these numbers go in reverse, what you're going to see instead of Federal revenues going up, they're going to go down. What you are going to see in reverse is, if you do the reverse of this change here on GDP, you'll see GDP going from—which is too strong now, it's going to get worse. We can't afford that. We don't want that to happen. And particularly—and this is cruel and harsh to Americans—you're going to see jobs vaporizing and disappearing.

That's not where we need to be going with this Congress. Even in the last couple of days, in the last week or two, depending on if they decide to call us in for Christmas and New Year's, I'm not sure about that. We're not calling the shots on that. But we are not creating the policies which support a good stable economy.

And the policies are available. It's not just Republican policies. I might mention that the person that understood this effect was JFK. He had a recession; and what he did was, he treated it with a good dose of solid, sound tax policy by cutting taxes. And JFK saw this same kind of turnaround while he was a Democrat President. Also Ronald Reagan did the same thing. He inherited a lousy economy, just as Bush II had done, and he had cut taxes aggressively. People made fun of it. They called it Reaganomics and trickle-down economics and things like that. They made fun of him for a year or two until the economy snapped around, jobs were created, the economy steams off strongly for many years, and these same policies were vindicated. They work. And it worked for George Bush when he did it here.

The question is, Are we going to learn from history? Or are we going to take a recession and turn it into a Great Depression? I'll tell you, there are some areas where we have serious problems in this country that are not all clear, and it gets into some very esoteric areas in the area of real estate, both commercial and residential real estate.

And we have not fixed Freddie and Fannie as a result of this last big housing bubble which has affected people's savings terribly in '08. Many people lost a great deal of savings in '08, and it was caused by a series of things in the housing industry that were not done properly. It's courtesy of the U.S. Congress. It was the fault of the U.S. Congress and the Senate and our policies, relative to loan policies. And we haven't fixed any of those things.

So not only have we not fixed tax increases, not only have we not fixed red tape, not only have we not fixed the problem of liquidity, not only have we maintained an air of uncertainty which is problematic, not only are we excessively spending at the Federal level, we've got some other problems in real estate that are still out there.

So all of these things lead us to understand that there has to be a fundamental change by the way things are done here in Washington, D.C., and it says that we cannot afford the level of Federal spending and the excessive taxation that have burdened our economy the way it has.

It's a treat to be able to join everybody this evening, and it's a treat to be able to talk about these things because this is current and relevant. It's quite possible tomorrow that the vote will come up on the tax thing. And I think what you'll see, as I've said, is kind of a mixed pattern from Republicans.

□ 2330

There's bad stuff in the bill because it's going to increase the deficit. Good stuff in the sense we're preventing a terrible tax increase, but yet, overall, it's not fixing the problem. And the solution to the problem is going to come and it's going to be something that we'll do one piece at a time. We're going to send it over to the Senate, and we're going to give them an opportunity.

One of the things we'll do will be to take the death taxes and say, Let's make a decision. What are we going to do on this? This thing has been running along since May of 2003. Everybody knows you need to make a decision on it. What are we going to do? Are we going to make it permanent in some way? We're going to let people plan and know what the Federal policy is going to be? Are we going to—after we nail people for taxes all their life, are we going to nail them again when they die? When a son inherits his farm from his dad and the farm is worth a number of million dollars and the protection is only for a $1 million cap, does the son have to sell the farm, in fact, liquidate the farm, in order to pay the taxes we're going to extract from the person who died?

That's the question. And it's time for us to make a decision. Is it going to be more bureaucrats and food stamps or is it going to be jobs and paychecks? That's the decision before us.

We will send those pieces of legislation to the Senate. You need to look for them. I guarantee you that we'll send them. The question's going to be: What's the Senate going to do and what's the President going to do?

I'm joined here by a very good friend of mine, Congressman KING from Iowa, somebody who has a passion and love for America and a love for free enterprise. And he has a good reason to have a love affair with free enterprise, because he is a small business man, started his own business, sustained his family and has held his head high and proud. He has some tendency to speak sometimes on the floor here in Congress. Many of you may know my good friend Congressman KING, and I'm going to call on him and just ask him if he'd like to make a comment or two about this whole situation that's coming up this week and how it relates to the Bush tax cuts and whether or not it's really going to solve all the problems that the country has and what the solutions really would be. And I believe you'll hear a story that's very common sense, very much in line with free enterprise and the American Dream and refreshing and hopeful. My good friend, Congressman KING.

Mr. KING of Iowa. I thank the gentleman from Missouri for bringing his insight here to the floor of the House so many nights in a row when others might decide to call it a day. There are Americans that are lying awake that are worrying and concerned about what happens here in this United States Congress, this great deliberative body, and the future and the destiny of this country established here often on the floor of the House of Representatives, and that's why every word that's spoken by the gentleman from Missouri and others is essential and it contributes to the direction that America takes.

And as I listened to the gentleman from Missouri, Mr. AKIN, present this very cogent and factual presentation here tonight with the charts to back it up, and I remember my good friend from Minnesota, Congressman Gil Gutknecht, who used to say that if you have a chart to back it up you're 40 percent more believable. And of course I don't know how you improve upon being completely believable, which is the case with the gentleman from Missouri. But I was inspired as I listened to the gentleman's discussion about the estate tax and what happens, and I think it's so important that we think about the function of tax policies.

And I listen to the class envy on the other side of the aisle. And there are many over there that are steeped in class envy and think that if a person works their entire life and compiles enough money to be worthy of the trouble of the tax man stepping in and taking a chunk of it, as much as they can get, that somehow there's a justice

at the end of the generation to take the earnings of that generation and spread it out amongst the other people instead of allowing it to go to the next generation.

And I think about my ancestors that came across the prairie in a covered wagon. I think about my great-grandfather who arrived here from Germany on March 26, 1894, and he had four or five of his children with him, and the balance of his nine children were born here in the United States, the ones that survived. And his dream was to be able to homestead, buy and build a farm for each of those children, nine children that reached maturity. And he bought nine quarter sections of land, 160 acres each, and that's what it took to support a family. You need to raise, oh, six, seven, eight, nine or ten kids on 160 acres.

And he had a diversified farming operation that had a few milk cows, some sows. He raised some corn and later on some soybeans and some oats and some hay ground, and everybody went to work and they built their future and their destiny on that land. And the dream was: Can we hand that land over to the next generation? Can we take this unit and deliver it to the next generation? And his dream, with nine children, buying those nine quarter sections of land was, if he could set each of them up on 160 acres of land that they would inherit from him, that if they took care of the land, they took care of the livestock, it would all take care of them, and they could raise their children, and the next generation could go build upon the equity that was earned in his generation.

Mr. AKIN. You know, I can't help but get excited about what you're saying. You're talking about the American Dream before there was all this tampering government. And the thing that I find just absolutely amazing—let's compare your grandfather to somebody else. And I don't know who it was, but somebody else who, instead of making those sacrifices and doing the hard work, went out and drank and gambled everything away so he died penniless. Now, the system of tax that is being proposed by the Democrats is going to reward that guy because he won't pay any death taxes at all. And yet your granddad, who made all kinds of personal sacrifices and hard work to set up his children and grandchildren, he's going to get his hide taxed off of him. What kind of tax policy is that? A tax policy should encourage the American Dream, not destroy it.

Mr. KING of Iowa. And if I would say that if he was sitting in Germany in 1893 planning his trip here in 1894, thinking he was faced with tax policy that would confiscate his life's earnings and pass it back to the government and distribute it to the people that were not engaged in the free enterprise—

Mr. AKIN. Fifty percent of his earnings

Mr. KING of Iowa. Or 55 percent. Even if the ball drops at Times Square and we don't get this thing resolved, taking away half of what he'd earned in his lifetime, he would have not had that dream. He's unlikely to have even come to the United States. But he's really unlikely to have bought those nine quarter sections of land, because he would know that before he could hand it off to the next generation, the tax man would come in and swallow up half of it.

And so here's the scenario. I mean, unfortunately for my great-grandfather, he lost all of that land when the stock market crashed in 1929. He didn't lament that. He'd engaged in free enterprise, capitalism, and commerce, and it didn't work out for him. The timing was wrong, and he lived the rest of his life in Pierson, Iowa, a lonely man in a tiny little house. But he had the dream. He had the chance to access the dream. And it didn't work out for him, but his children received the vision of his dream and they went to work and they built, and they raised their children with the same dream that brought him here to the United States.

And so I think today, even though it hasn't worked out for my family in the way that it was envisioned, and there isn't wealth on either side of my family that counts as taxable in the estate tax configuration, no matter what it is, it inspired them nonetheless. They worked nonetheless. They invested capital anyway, and they went to work. And so—

Mr. AKIN. You know, just stopping your story for a minute there, it strikes me that the policies that killed your grandfather's dream in the Great Depression were the same policies that we've been following for the last 2 or 3 years. There's nothing new about it. It was excessive Federal spending, excessive Federal taxation all packaged up as Keynesian economics. And Henry Morgenthau, after he killed that dream, came to this Congress and said, Guys, it didn't work.

And we're not listening to it, and here we go again doing the same thing. I just feel like we have got to learn something from history. And your grandfather is such an inspiration. And certainly what he passed on was the vision of the fact you can make it in this country. You can go from being poor to being well-to-do if you work hard and you try hard and you live that dream that's in your heart. That's what America's supposed to be about.

I yield.

Mr. KING of Iowa. Well, in the succeeding generations, the dream was passed on even though the equity was not, because they didn't build the equity but the dream was there. The obligation and the duty and the appreciation for America embracing my ancestors coming here was passed on to me, and it said stand up for this United States of America, this free enterprise dream. And today, the families that it's worked out for, those who have made that investment, that hung on to that land, that spent two or three generations or more building a family farm—and let's say now, today, it's not 160 acres that it takes to sustain a family but 1,000 or 1,500 acres that it takes to sustain a family. And that's more accurate.

□ 2340

Let's just say that that unit that was put together, two sections of land now, 640 acres a section, 1,280 acres altogether.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. AKIN. Mr. Chairman, I thank my colleagues for joining us in the discussion here about really the future of America.

KILLING THE AMERICAN DREAM

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 2009, the gentleman from Iowa (Mr. KING) is recognized until midnight.

Mr. KING of Iowa. Mr. Speaker, and I would ask the gentleman from Missouri if he would mind sticking around here for a seamless transition into this dialogue. And I appreciate being recognized to address you here on the floor of the House. It is always my privilege.

And I would pick this narrative up where it was left off in the transition component of it, and where I was, with 1,288 acres now required to sustain a unit of operation, that would be these acres, and a home place that was built with grain storage and transfer equipment and livestock facilities and those things that make it a system and a unit. Maybe some rented land out there, some rented pasture, some hay ground, some rented crop ground that keeps this system that is a viable and effective unit. And now, let's imagine that.

Mr. AKIN. A couple tractors, combine, some equipment worth a lot of money.

Mr. KING of Iowa. And let's say five kids. That is a good number. Five kids, and they are raised on this farm.

Now, two sections of land, paid for, and the 90-year-old patriarch of this family has reached the end of his life and he is watching how his life's work that is the legacy of his predecessors, the life's work of almost a century of his memory adding all up to this point where, if he passes away in the first minute of next year, the taxman hovers over the death bed and reaches in and pulls out, aside from the $1 million exemption, 55 percent of the asset value.

That means that half of the land that has been accumulated goes to pay the taxman. The other half of that land, the five children that would inherit the balance of what is left, would have a 20 percent equity share in the land that is left, 20 percent equity share in 45 percent, roughly, of what was left. None of those children then, on that basis, have enough equity to hold that system, that unit, in place.