



BUDGET COMMITTEE



Judd Gregg, Ranking Member
<http://budget.senate.gov/republican>

Contact: Betsy Holahan (202)224-6011

For Immediate Release

July 26, 2007

**Statement of Senator Judd Gregg
Confirmation Hearing of the Honorable Jim Nussle
To be Director of the Office of Management and Budget
July 26, 2007
(Unofficial Transcript)**

Thank you, Mr. Chairman, and Congressman Nussle, and I would join with the Chairman in saying that having Congressman Spratt and Senator Grassley introduce you is certainly a very strong statement of bipartisan support for your nomination, and reflective of your years of work here and the fact that it has been well-received and seen as fair and constructive. Being called a “Little Grassley,” however, you know, that could really do some damage [laughter].

But as a practical matter, I hadn’t intended to spend a lot of time on the large picture; I was going to focus more on your qualifications, which I think are extraordinary. You bring to the table, obviously, great talent and ability. The fact that you were chairman of the House Budget Committee, the fact that you were co-chairman with Senator Cardin of the Budget Reform Task Force and that fact that you ran the Budget Committee in the House in a fair and open way.

The budget is inherently a partisan document, regrettably, but it is. And it has always been that way; there has been, I guess, one exception to that, and it would nice if there were more, but as a practical matter, that’s the way the structure works and so the key to doing this document however has always been – and I congratulate Senator Conrad for his handling of it this way – is to recognize it may be partisan but that doesn’t mean the opposition doesn’t get a fair hearing at the table, get to make their points and have a chance to make their case and obviously in the final count, the vote is going to be whatever the majority-minority is usually. And you did that, and I enjoyed working with you when I chaired this Committee, and found our relationship to be open, frank, constructive and very professional. I think that’s what we need at the OMB job.

The OMB job is very much a liaison with the Congress. Obviously you’re the traffic cop within the Administration for spending as OMB Director but equally important, you’re the person that as we go into the appropriating process that the Congress works with most often in order to resolve issues of how the day-to-day operations of government is going

to occur and how appropriations bills are going to be structured. So, your knowledge and your track record of bi-partisanship, and willingness to work across the aisle, are critical, and I think very much a positive here.

On the larger issue, which has been referred to by the senator from North Dakota -- and I didn't bring my charts today, I thought I'd give everybody a break -- but let's cite just three basic statistics which I think call into question the general theme that the economy is a disaster and the policies of this Administration have been a disaster on the issue of fiscal policy, which is, I think, is the theme of the senator from North Dakota, along with the theme I do agree with, which is that we have to address entitlement spending. But three statistics: first, the unemployment rate in this nation is I think about 4.5 percent. It is extremely low and we have had, I think its 22 straight quarters of growth, and we have added over 8 million new jobs. And that's a pretty robust economy and essentially a fully-employed economy.

The second statistic which I think is important is that revenue of the federal government now exceeds the historic norm. The historic norm has been that since World War II, about 18.2 percent of Gross National Product has come to the federal government in revenue. We're now up to about 18.8 percent of Gross National Product in revenue. And that is the function, I believe, of having a tax law -- which is the product of the work of Senator Grassley -- which is fair. Which says that if you are an entrepreneur, go out and take a risk and as a result, create jobs for Americans, and as a result of doing that, people have gone out and taken a risk and been entrepreneurs, and as a result, have created jobs for Americans. And the practical effect of that is that more revenue has come into the federal government because more people are working and there has been more capital activity and capital has been more efficiently used, instead of inefficiently used. And so we now have revenues above their historical norms, and no matter what chart you want to hold up, that's the basic test. Are we generating the revenues that the federal government needs in order to fund itself at its historic levels? Yes, we are. Are we spending too much money? Yes, we're doing that too, but that's primarily a function of entitlement spending and the war.

The third statistic which I would cite is that these tax policies which Senator Grassley evolved, ah, with the help of the President, have created a distribution which is extremely progressive. High-income individuals today are paying a larger percentage of the tax burden than they paid under the Clinton Administration. The top 20 percent of people making income in this country are paying 85 percent of the income tax burden of this government...85 percent, that's a pretty big number. Under the Clinton Administration, they were paying 81 percent. And on the other end of the scale, the bottom 40 percent of people with income in this country, are receiving more back, because as a practical matter, they don't pay income tax, so they are receiving more back from the government than they received under the Clinton Administration by a factor of about two. So the lower-income individuals are getting more benefit from the government, and higher-income individuals are paying more into the government as a percentage of the burden of the taxes and that is progressive. And it's a function of the fact that we've created a tax law in this country which basically taxes capital fairly so the people are undertaking

investments which are taxable. Instead of avoiding investments, by looking for tax shelters, high-income individuals are willing to do taxable activity.

Now the response from the other side of the aisle, in the short time they have been here, is basically summed up by the Senator from North Dakota's chart, which essentially represented that we are not paying enough in taxes. They want to raise taxes. They basically want to repeal the present tax rate on capital gains, the present tax rate on dividends and the rate of the upper bracket. They want to raise taxes. Significant tax increases are basically the game plan of the other side of the aisle. In addition to that – not only are they restive about the fact that we have a tax law that has generated all this revenue and created a fair tax on capitol - they essentially want to go out and expand that effort through regulatory activity and essentially intend to pursue capital formation in a way that's going to drive capital overseas. It is really a “cut-off-your-nose-to-spite-your-face” policy because the thing that has generated this economic recovery has been the fact that we have created an atmosphere where capital formation, entrepreneurial activity and the resulting jobs that occur have generated the income to the government.

In addition, spending is exploding around here. You know, you can use all the charts you want to try to make it look like these lines are coming together, but its not. Every time we turn around, we're seeing on the floor of the Senate proposals to spend a heck of a lot more money in non-defense areas. And it's not healthy for this economy. The supplemental that came through here for the Defense Department which was supposed to fight the war, had put into it \$17 billion of spending that has nothing to do with our national defense. But was basically a price to pay which was required by the other side of aisle before they would support funding the troops in the field. The budget, which was passed by the other side of the aisle, had \$23 billion in spending over the President's request on the non-defense domestic discretionary side. And we're seeing a variety of expansions of programs in the entitlement account area, which is not paid for. So spending is growing, and growing dramatically, and that's one of the things maybe driving the other side of the aisle to say we should be raising taxes.

So there is a philosophical difference here, and I think our numbers are even more defensible than the other numbers. But that brings us back to your nomination, which should be the topic of this discussion. And I think what you will bring to the table and what I know that this process requires, is you will be seen as a fair arbiter, obviously someone who is going to be carrying the message of the Administration, but someone who will listen fairly to the other side, who will work effectively with the Congress, because you understand the Congress, and who can, hopefully, bridge some of the differences so that we as a government don't end up in a situation where we are now, functioning under a continuing resolution, but can actually proceed to appropriate the funds necessary to manage the government as we go into the next fiscal year.