



BUDGET COMMITTEE



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**Senator Judd Gregg's Opening Statement
at Budget Committee Hearing on Economic Outlook and Options for Stimulus
November 19, 2008
(unofficial transcript)**

Thank you, Mr. Chairman, for calling this hearing and I appreciate the panel -- which is an expert panel, to say the least -- participating also.

Obviously, we're confronting an economic situation which is extraordinarily difficult, and for a period put us at a precipice which would have been potentially unique in our experience and also catastrophic with the potential meltdown of our financial sector. We are still working through that process of how we make sure our financial sector remains at least strong and substantive during these very difficult times.

There has been some discussion, of course, as to what we should do with the additional TARP money, of which it appears there will be \$350 billion on the table for the next administration to use. I believe Secretary Paulson has made it very clear that at a minimum, that's what would be left available for use. I think that's a good decision by Secretary Paulson, to allow President-elect Obama to make the decision as to how those additional funds will be moved in the area of protecting and promoting and strengthening our financial structure.

I would like to hear the panel's comments as to what they think should be done with those dollars, because those are "ready dollars," to quote Phil Gramm in a different context. And what's important, in my opinion, is that we put the dollars on the problem, and the problem is foreclosures and stability of the real estate industry and the real estate markets.

The decision by the Secretary to move the initial dollars directly into capital restructuring of the financial institutions which were at risk, I think was also the right decision because it was fairly clear that getting those dollars out the door into the purchasing of non-performing assets was going to be very difficult. Pricing those assets was going to be extraordinarily difficult; setting up the auction process appeared to be extremely complex. And although the Chairman and I worked very hard through a long 48-hour period to put the bill together with the expectation that it would be developed as a bill

that would be focused on troubled assets and getting those off the books of the financial institutions, the decision to go directly to capital infusion I think was the correct decision and has stabilized those institutions, and more institutions to come.

But the question now is with the additional \$350 billion; is there a structure which would allow us to use those dollars effectively to get at the underlying problem of the real estate pricing in this country and the overhead of inventory and specifically, to allow people who are in their homes as homeowners, not speculators, to stay in their homes through some sort of restructuring using those dollars, and does that have a stimulus effect? And does that help the situation if we did that?

The second issue which is on the table right now, of course, is the issue of dealing with the automobile companies and their weakened situation, which is more than weak, it appears. And whether or not it is appropriate for the federal government to go beyond what is already \$25 billion that's in the pipeline, or whether that \$25 billion should re-oriented in some way to be gotten out the door faster and in a more immediate way, as it appears at the present time delayed.

I'd be interested in the thoughts of the panel on that, and what's the proper role, relative to the question of the automobile companies, and should this include not only the issue of compensation at the executive level – which obviously it should include if the federal government steps in – but also the issue of employee compensation, especially retiree compensation. I read, regrettably, in my opinion, that the UAW has rejected out of hand any action in that area as an element of the taxpayers stepping forward. They appear to be willing to let the taxpayers take the risk, but not their membership and it would seem to me that any restructuring would have to by definition, in order for these companies to survive, include some kind of restructuring in the area of compensation, not only at the executive level but also down the line. And so I'd be interested in your views on that.

Obviously, the Chairman has alluded to various types of stimulus packages which are in consideration. There are the usual suspects of the Keynesian philosophy, which is unemployment extension and food stamps and initiatives in those areas, which have a checkered history of actually creating economic stimulus. And in fact, we don't have to too far back to see how checkered that history is, when we look at the first stimulus package which this Congress did earlier this year, \$160 billion, the vast majority of which was simply a direct repayment -- rebate, or whatever you want to call it -- to Americans of \$600 or more. And I'd be interested in the reaction of this panel to what that stimulus package did and whether we got value for our dollars.

At the time, I said we should have spent that money on the problem, which again was real estate and stabilizing the real estate markets, especially ownership by individuals who are in a home who are finding themselves stressed by the fact that the value of the home has dropped and the cost of the mortgage has reset. But we decided not to take that route. We decided instead to simply throw \$600 in various packets out of a helicopter across this country which was then used to purchase Chinese goods which may have stimulated the Chinese economy but I don't think stimulated ours all that much.

So I'd be interested in getting the panel's view as to what type of stimulus really does stimulate in the short term. The Chairman's made the argument for infrastructure. I don't have any argument with the belief that infrastructure in the long-term is a good capital investment for our nation. Building better roads, sewer systems, water systems, transportation systems, is a good investment for our nation. But is it a short-term stimulus? That's a good question, and in fact, if you look at the proposals, it looks like less than 20% of the dollars that are proposed for infrastructure stimulus would actually be spent in 2009. If that's the case, is it really a stimulus, or is it a capital improvement program for the long-term?

So these are the questions that we are going to have to answer as a Congress. I do agree with the President-elect and with the Chairman that a stimulus package is necessary. But how do we do it? How do we do it right and where should it be focused? Should it be focused on the problem – obviously, I'm asking rhetorically – which is the real estate issue? Should it be focused on the more philosophical approach, which would be Keynesian philosophy, or should it be focused on infrastructure, or some combination? And how do we deal with the real issue that is immediately on our table, which is the question of the American automobile manufacturers?

So again, Mr. Chairman, I thank you for setting up this hearing so that we can get some answers to these questions.