of all that your husband accomplished, and we thank you too for your contributions. On behalf of the Congressional Black Caucus and on behalf of the people of the Virgin Islands, we extend condolences to you and the family. We in the Virgin Islands have also benefited by the work of Dr. Hooks.

And to Dr. Height's sister Anthanette Height Aldridge, and her family, to the council, to the Delta Sisterhood, and especially to two outstanding women who I consider to be Dr. Height's daughters, the Honorable Alexis Herman and the Reverend Barbara Williams Skinner, we extend condolences on behalf of the Congressional Black Caucus again and on behalf of my Virgin Islands family and the gratitude of all us for allowing and welcoming us into the life of Dr. Dorothy Irene Height.

As many people have said, both Dr. Hooks and Dr. Height leave big and awesome shoes to fill, but their lives continue to speak to us and what they are saying, what I hear them saying, is step right into those shoes, fill them any way you can, and keep marching on until victory is won.

THE AMERICAN ENTERPRISE SYSTEM

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

Mr. KING of Iowa. Madam Speaker, I appreciate your indulgence this evening and the opportunity to address you here on the floor of the House.

Not having had the opportunity to listen to the dialogue of the previous people, I will take this up where the front of my mind and my conscience happens to be, and that is what is happening with and to America, what are our priorities, where are we going to go from here, presuming that we could actually reverse many of the things that have taken place over the last 1½ years or longer.

Madam Speaker, I would ask your indulgence to just cast your mind back into the last 1½ years or so, this being April 2010. In fact, I would take us back into August and September of 2008, perhaps a little more than 18 months by now. And what we have seen happen is that we saw a concern about the potential economic collapse of the free world, the fear that global currency and the confidence that allows us to trade in that currency could collapse and that we would see the free market economy and the markets within the world, including the Dow Jones and a number of the other market indexs, the Nikkei market, European market, and that list goes on, those lose the confidence of the investors if that happened, if the investors pulled their money out, if, in fact, there was any money to be pulled out, we could have seen a downward spiral that could have been a crash of our economic system that could have potentially eclipsed that of the Stock Market Crash that precipitated the Great Depression in October 1929.

We saw the Secretary of the Treasury, Henry Paulson come to this Capitol on September 19, 2008, and make a request, a very serious request, and some might characterize it as a demand, for 700 billion taxpayer dollars, 700 billion taxpayer dollars to inject into this economy in a fashion that he saw fit, in a fashion that wasn't necessarily laid out for us. We didn't understand particularly his presentation. We heard the words he said but it wasn't definitive. It wasn't clear. And as we found out after the $700 billion worth of TARP passed, even those words didn't hold so very accurately when we looked at the actual practice of how the $700 billion was spent.

So, Madam Speaker, that was the start of this long saga of what America's free enterprise economy, what is left of it, might look like and how we might manage these finances.

It's interesting to me that since that time, I have done some traveling around the world and I recall listening to Angela Merkel and the leaders in Germany the following February, if my memory serves me correctly, so it would be February of 2009, say to us, America, you're spending too much money. You should not dump the $700 billion in TARP in. It is a waste of money. It is irresponsible. You need to pull back. Their proposal in Germany, even though that is a social democracy, a nation that wants to have as much of it, apparently, within the hands of the government to manage as they can and a minimal amount within the free enterprise system, they have a different belief in it than we have.

They had a $450 billion plan; ours was a $700 billion plan followed by a $787 billion plan, coupled with $1 or $2 trillion disbursed by the U.S. Treasury that wasn't within the province or the guidance of this Congress, and I think it's awfully hard to track what that might have meant.

□ 2130

Theirs was $450 billion. I believe the number was $80 billion in targeted expenditures and the rest were loan guarantees. So one might argue the German approach to this—the people that originated socialized medicine, by the way—was they would spend $80 billion in an economic stimulus plan. Now, granted, their economy is not as large as ours, but $80 billion versus $700 billion, and another $787 billion, Madam Speaker, and we have the Germans admonishing us because we're spending too much money in trying to stimulate the economy in this robust Keynesian approach. And then since that time we've heard the President of France lecture us on the dangers of appeasement.

Oh, what a world we have today. How so much it has changed in the last 2 or 3 years, Madam Speaker. How so much the philosophy that has made America great has been pushed to the sidelines, hasn't emerged very much in the thought process, the decisionmaking component of this, at least, even though it remains in the hearts and minds of the American people.

So, Madam Speaker, here we are today, $700 billion in TARP spending, gone, spent, blown. This, yes, was initiated under the Bush administration, as was the nationalization of several financial institutions and the beginnings of the nationalization of AIG. However, the balance of all these things that I'm about to talk about came about under the Obama administration. And everything that I'm talking about, from the $700 billion TARP funding all the way through to today, was supported by either then-Senator Barack Obama, candidate for the Presidency Barack Obama, or the President of the United States, Barack Obama. That policy is indistinguishable whether he supported it as a Senator, whether he supported it because he was a candidate for the President or because he supported it as the President-elect or the President of the United States.

And George Bush gave some deference to Barack Obama on how he would approach this economy. One day I hope to have that conversation with President Bush. But, in any case, there's no component of this voracious appetite for overspending and pushing government into every corner of our private sector lives, there's no aspect of this that wasn't supported by the President of the United States, Barack Obama.

The American people know that and they understand it, Madam Speaker. And so what we have seen, we have seen the support for the $700 billion in TARP. In fact, this Congress limited the first half of that to $350 billion. And that went, essentially, without strings attached. And the balance of that, the other $350 billion, had to be approved. This was in October of 2008, so it had to be approved by a Congress to be elected later and by a President to be elected later. We know what happened. The second $350 billion was approved by the Congress elected in November of 2008 and approved by the President who was elected in 2008, Barack Obama.

So this entire lexicon of things that happened economically, good or bad, are not the fault of George Bush. They are not laid at the feet of the previous President. These are the responsibilities of this Congress, the House, the Senate, under the leadership of Speaker PELOSI, the leadership of HARRY REID down that aisle, and the leadership of Barack Obama, whom I have

sometimes described as a ruling troika, Madam Speaker. That would be, as I warned America about during that same period of time, if you elect Barack Obama as the President of the United States and re-renew the Speakership of NANCY PELOSI—in other words, reelect the Democrat majority here in the House—and you continue to expand the majority of the Democrats in the United States Senate, we will have created, and this is something that I believe is part of the CONGRESSIONAL RECORD, a ruling troika in America—that ruling troika being the President, Speaker PELOSI, HARRY REID, who could, by my words then, upheld to be true since then, go into a phone booth, the three of them—haven't done so literally, but figuratively they have—and decided what they would do to America.

Their accountability isn't to the American people. It isn't to the will of the American people. Their accountability is only to the members of their own caucus as to whether they would not just reelect them as leaders but decline to un-elect them as the leaders of their caucus. That is the only restraint that is on them and then the restraint of pushing policies that they couldn't pull the votes to get past.

It came very close here in the House a couple of times. And I have respect for political operators that have an ability to get those tough votes through and get them passed. In fact, if it's the right thing to do, it's a hard thing to run a good country—in fact, a great country—if you can't get those tough votes accomplished. But I will suggest, Madam Speaker, that many of the things that have happened in this Congress, the 111th Congress and the 110th Congress that preceded it, are anathema to the American vision and anathema to the American Dream, that they run contrary to the principles that made America great.

I can take us down this path. TARP is one of them. The Federal Government's business isn't to come in and decide which businesses are too big to be allowed to fail and then put a huge bill against the taxpayers, their children and their grandchildren; borrow the money from the Chinese and the Saudis; and then make decisions on which businesses should be allowed to succeed, with government help, and which businesses should be allowed to fail.

This country has got to be run by free enterprise, by the free markets; and if businesses fail, they have to be allowed to fail. And investors need to be able to come in and pick up the pieces at the discount that is available when they go through chapter 11 or 7. Their assets are still there. They can be managed by other corporate entities or noncorporate entities, for that matter.

It isn't that if a bank went under or if AIG the insurance company went under that all of a sudden all of the assets that they have are dispersed or sunk into the ocean somewhere. The hard assets are still there. The accounts are still there. They can still be managed by some entity that comes in and picks up the pieces. I have seen this happen a number of times far too close to make me comfortable within the banks that were closed back during those years in the farm crisis years of the eighties.

It happened over and over again, hundreds and hundreds of banks went under. And when they went under, they were recapitalized. New board of directors. New investors came in and picked up those shares of stock. They looked at the loan portfolios, they looked at the deposits, and they made management decisions to put that bank back on a profitable track. Many of those banks, most of those banks, and I don't know that I could say all of those banks actually got turned back into profit. Yes, there were banks that were closed. There were those whose doors were shut and didn't open again. But many banks came under new ownership because they were sold back into the private sector. Even though the FDIC found themselves brokering assets of banks no longer solvent, they did not hold on to the assets of those banks and operate those banks as if they were players in the private sector.

But what we have seen happen with this Obama White House is entirely different than what we saw during the farm crisis years of the eighties. First, this idea of too big to fail. Too big to fail, Madam Speaker. No one in America's britches should be too big to fail. Too big for their britches, but they can't fail.

I'd point out a presentation that was made to us about 3 years ago at an 8 a.m. Wednesday morning meeting which I host, a breakfast which I host and have done so for 5½ years, the Conservative Opportunities Society. One of the very smart financial presenters there—since that is off the record in that meeting, I can address what he said, but not his name—we were talking about the subprime mortgage crisis. And he said, When you're in the business, the investment banking business, where he'd been for 30 years, what you do in this business is—and he paused for effect and said, Pretty much whatever everybody else does. That way, if they're making money, you're making money. But if things melt down and there is a bailout, then you will be bailed out with everybody else.

Madam Speaker, it's not hard for me to imagine what that does to the investment minds of people that are operating investment banks if they know implicitly, not explicitly, that they can take a lot of risks and they are never really going to go under because the Federal Government will come in and bail them out. That was the implicit guarantee in banks that were too big to be allowed to fail. And it was followed through upon by this government, by this President, in this administration, in this time, and approved by him as a United States Senator and approved by him as a candidate for the Presidency.

Too big too fail became too big to be allowed to fail. Too big to be allowed to fail. The Federal Government would come in, and if we didn't have the money to bail out these businesses, then we would tap into the United States Treasury, who would borrow it and borrow it from the Chinese and the Saudis and anybody else that could invest in U.S. bonds and pick up these businesses.

So the Federal Government nationalized three large investment banks in the aftermath of this September 19 visit to the Capitol by Henry Paulsen, then the Secretary of the Treasury. Three large investment banks, ownership taken over. Ownership or control taken over by the Federal Government. AIG, the insurance company, $180 billion invested in an insurance company, was guaranteeing securities.

And then we back this up to the late seventies when the Community Reinvestment Act was passed because there were lenders that were not willing to make bad loans in bad neighborhoods. They had drawn red lines and concluded the asset value was diminishing, not appreciating, and the return on that investment, let's say the collateral value was shrinking. Therefore, if they loaned against that collateral value, they would find themselves upside down in those mortgage loans. So they drew lines around the neighborhoods where the value of assets was going down.

Now, some argued that it was a racist decision. I don't know that. I wasn't in those rooms and I don't know those people. For all I know, I never met the people that were making those decisions. If it was for the racist reason, it's kind of like racial profiling. If that is your only reason, then it's wrong. But if it's an indicator that makes you look at the totality of the record, okay, then it may not be wrong. But lenders were drawing a red line around these neighborhoods, and they refused to make those loans into those neighborhoods.

And there was a political decision made in this Congress that they were going to force lenders to make loans into those neighborhoods that had red lines drawn around them. That was the Community Reinvestment Act. But the problem was that they couldn't get the banks to make enough loans into those neighborhoods because the collateral value was going down and the underwriting requirements for Fannie Mae and Freddie Mac prohibited them from picking up on the secondary market some of those bad loans.

So in 1978 I believe was the year when the Community Reinvestment Act was passed. They expected that there would be a lot more loans made into these neighborhoods that were redlined. There were more lines made but not enough to satisfy the organizations out there in the inner city. The community organizers—we can ask the President about community organizers. What do they do? They advocate for taxpayer dollars and redistribute those taxpayer dollars into the neighborhoods. They don't contribute to the free enterprise economy. They just tap into the taxpayers, distribute those taxpayer dollars, and in exchange trade off for political power. That is what community organizers do.

So these community organizers concluded that they weren't going to get enough loans into those neighborhoods so they came back to this Congress and lobbied this Congress in the nineties to make changes in the Community Reinvestment Act and, by the way, because of the Community Reinvestment Act, they also found out that Fannie Mae and Freddie Mac had strict enough underwriting requirements, that because of those capital requirements and the underwriting requirements, Fannie and Freddie, the secondary loan market, the GSEs in the United States, could not pick up those loans off of those lending institutions.

And so they have refreshed the Community Reinvestment Act and made it a little more strict, but also into the bargain they lowered the underwriting requirements for Fannie Mae and Freddie Mac. Now we have created a scenario for real bad loans in bad neighborhoods, real net loss to the lenders. But the lenders weren't on the hook so much because as soon as they could make a loan into a neighborhood that was approved by organizations like ACORN, they could peddle that loan off into the secondary market and Fannie Mae and Freddie Mac would pick up the entire tab on that and the original lender would be off the hook.

So there's plenty of incentive for the original lenders to be retail marketing bad loans in bad neighborhoods as long as they could package them up, sell them into the secondary market under Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac then got to this point where they could see that they need to divest themselves of some of those loans, and they sliced them and diced them, and turned around and spun them back into the tertiary market and beyond.

So as this mortgage market was moving along, it was still moving slowly through the nineties. And we got towards the end of the nineties, and actually to the year 2000, when George Bush was elected, we had at the end of the nineties the bursting of the dot-com bubble. When the dot-com bubble was burst—and I suspect it was pierced by the class action lawsuits that were brought against Microsoft by the State attorneys generals, my State Attorney General Tom Miller included—in fact, one of the ringleaders in the lawsuit against Microsoft. I actually think that the dot-com bubble would have burst anyway. Because what it was, it was a speculator's bubble. Yes, there was value in our ability to store and transfer information more effectively than ever before. The speculators invested in that. They bet that would return on their investment and these technology companies would blossom and make huge profits and they would cash in on them.

□ 2140

But this bubble was created out of that speculation, and the thing that wasn't corrected for some time until the bursting or the piercing of the dot-com bubble was the inability for the market to consider that having that technological ability to store and transfer information more effectively than ever before didn't necessarily translate into profits for companies. You have to produce something more efficiently in order for the value of that company to be there.

So, with the Internet, for example, whatever the Internet does to improve the productivity of all of our companies—and anybody that is engaged in business will know that it does improve your productivity as a company—you have the value of that productivity as to what it's worth, not what you speculate you can store or transfer for information.

The only other things that you got to add to that dot-com bubble value was the increase in productivity and the value that you have for recreation. So if people surf the Internet, and they were willing to pay for that, that was a component of our economy.

But the dot-com bubble burst. And as it collapsed, we were seeing the end of the Clinton administration. That was the recession that they talked about during that period of time. And as George Bush was elected, we saw Alan Greenspan make an evaluation—and I suspect this is accurate, and he would have a different opinion of it perhaps—but that we needed to make some adjustments in this economy in order to compensate for our declining economy because of the bursting of the dot-com bubble. Remember, the bubble burst, and it left a depression within our economy. And I don't use that in economic terms. I use that in, let's say, literal terms.

So Alan Greenspan looked at that and decided that we need to recover this economy. How do we do this? Well, unnaturally low interest rates. We're going to promote more mortgage loans. We are going to create a housing market and a housing boom, and we are going to use that to fill the hole in the dot-com bubble. That's the scenario that was playing out.

So unnaturally low interest rates with an encouragement for people to borrow money on terms that they hadn't seen in their adult lifetimes, you couple that with the Community Reinvestment Act, passed in the seventies, refreshed in the nineties, coupled with the lowering of the capital and the underwriter requirements of Fannie Mae and Freddie Mac and an aggressive lobbying part on the part of ACORN, who came to this Congress and lobbied to lower the underwriting standards for Fannie and Freddie and to push the Community Reinvestment Act, and ACORN finding themselves and putting themselves in a position in the communities whereby they got to approve or disapprove of the effort of the lending institutions to make bad loans in bad neighborhoods.

Now we have cooked up the perfect economic witch's brew, Madam Speaker, that resulted in the toxic mortgages that nearly brought down the global economy. That's a component of the scenario which nearly brought down the global economy. And as these investment banks, lending institutions picked up the mortgage loans on the secondary market, Fannie and Freddie tranched them, sliced and diced them, packaged them, shuffled them, cut the deck, sorted them out and began to sell them on up the market.

AIG, the insurance company, was looking at these bundles of mortgage-backed securities, setting a premium risk rate on these bundles and charging that premium. And whenever they were packaged and bundled and marketed for a profit, the people that were doing that were taking their profit out and passing the risk on, and AIG was passing judgment on that risk with no check and no balance and no one looking over their shoulder, and no one knew the market. They just trusted that AIG would know the answer because, after all, they were the premiere insurance company. They had been growing by leaps and bounds. But their agents were skimming—I don't know if I would say ''skimming'' is a fair enough word. But their agents were taking a profit out for the marketing of the policies and the premiums, but there was no continued responsibility and liability.

So I'll suggest that when people make investments and they pass those investments up the line and they can take profit out of them at every step along the way, it's kind of like the reverse of the value-added tax, isn't it, Madam Speaker, where every time you can bundle up some mortgage-backed securities, package them up, get AIG to set a premium on that and get a guaranteed return rate because AIG's premium is there, pass that on up the line, you take your margin out of that, it's kind of like selling the wheat and

paying the tax to the Federal Government and sending the invoice along with it while the guy at the mill grinds the wheat into flour. He takes the invoice from the value-added tax and uses that for his credit, and it goes on up the line. He pays his 10 percent tax and goes to the baker, and the baker then uses the two invoice credits of the 10 percent on the wheat and the value added that is another 10 percent on the increased amount on the flour that's milled from the wheat that goes to the baker who pays the tax of what's left on the value added before it goes to become the bread.

□ 2150

The same was going on during the era of the Community Reinvestment Act and Fannie Mae and Freddie Mac and the tranche mortgage-backed securities and AIG guaranteeing, passing that thing all of the way up the line. It became, yes, there was foundational value underneath these mortgages. That is the market value of the real estate, but it also was a huge chain letter that was marketed all of the way up through. And when the investors in the world lost confidence that they no longer knew the value of these bundles of mortgage-backed securities, then that happened, then we were threatened with an economic meltdown, Madam Speaker.

That is kind of how we got here. And now, as the economy spirals downward, or more or less the threat of the economy spiraling downward, we look to a President who is a Keynesian economist on steroids. He believes, and I have certainly heard it directly from his lips in very short range that Franklin Delano Roosevelt lost his nerve on spending and that he just didn't spend enough money. If he would have spent a lot of more money, it is the view of the President, whom I take at his word, that the Great Depression would have been over in the 1930s and we wouldn't have had to wait until World War II that brought about the most effective economic stimulus plan ever. That would also be the President's view.

But I will submit when the stock market crashed in October of 1929 and we saw my Iowa President do some things that FDR may well have approved of, and FDR went in with the New Deal, which, in my view, was a really bad deal, and in President Obama's view was a pretty good deal and could have been a better deal if he spent a lot more money, it didn't bring about a recovery from the Depression that started in October of 1929, but what it did when the Federal Government borrowed a lot of money, and they borrowed it from the American people in the form of bonds, they created a lot of make-work projects, had to pay the interest, had to pay the principal, we had all of this debt going on at the beginning of World War II. And then we had to take on a lot more debt. But at least during that period of time, had we not borrowed all of that money, not spent all of that money, then the United States economy would not have had to service all of the interest and service all of the debt.

Interest and principal. Could it be that the people in this country have forgotten what interest and principal is and what it takes in cash flow to service the debt. And will they ever figure out what it is like to be on the other side of this?

I recall a very good neighbor and a wise mentor friend of mine, Dennis Lindberg, who has since passed away, told me a story about when he was a young man and how he had the experience of paying interest at a very young age. He said to me, I decided early on that if I was going to have anything to do with interest, I was going to be the one collecting it.

But this government looks like they will have a lot to do with interest, and they will forever be the ones paying the interest rather than collecting the interest.

So this economy has been diminished by the burden that has been put upon it, just like it was diminished in the 1930s by the burden put upon it. The stock market crashed in October of 1929, and it didn't recover during the Great Depression years of the 1930s. It didn't recover during World War II. The stock market was still struggling to get back to where it was at the end of World War II, at the beginning of the Korean War, at the end of the Korean war. It wasn't FDR who solved the problem. FDR delayed the recovery by borrowing all of that money and spending all of that money in the New Deal during the Great Depression. The stock market didn't come back to where it was in 1929 until Franklin Delano Roosevelt had been dead for 9 years; 1954 is when the Dow Jones Industrial Average recovered to the place where it was when it crashed in October of 1929. All of those years, 9 years after Franklin Delano Roosevelt passed away.

And I want to give him a tip of the hat and a nod, and a significant measure of respect for the way he led this country in World War II. He was solid. He was an anchor, he was stalwart, and a commander in chief. He had a vision for full, all-out 100 percent war demanding total surrender from our enemies. I can take some issue with some of the decisions made along the way; but on balance, Roosevelt was a very good wartime President. I just don't think he was a very good depression-era President.

And this President, I have no idea what kind of wartime President he would be. We are not in a depression. Some will say we are in the Great Recession. That is the vernacular that has been adopted most. But this Great Recession that we appear to be in has spent a lot more money than was spent during the Great Depression of the 1930s. The result, I believe, will be similar.

If you take a business, we can think in terms of a small business, a small business that generates $100,000 a year in gross receipts, and perhaps has a $10,000 mortgage with a 10 percent loan on it. This is so I can do the math as I am talking. So your $100,000 in gross receipts needs to pay the proprietor, pay the utility bills, and all of the overhead, as well as the interest. So if you are grossing $100,000 with a $10,000 loan, then 10 percent of that loan would be $1,000. And if you are paying $1,000 in interest, and let's just say you are going to retire that debt on a 10 year loan, so you pay 10 percent of the principal each year.

The first year it would be $1,000 in interest and another $1,000 in principal; $2,000 out of your $100,000 goes to pay the debt, to service the debt you have. And then you have to take your margins, your expenses out of the remaining $98,000 and have enough to feed the proprietor and keep the proprietor engaged in the business

Let's just say that all of a sudden, we have this economic crisis and the business is having trouble. It gets flooded or burned out or whatever it might be, and along comes on the Small Business Administration or some other entity, and they say we can keep you in business, but you can't stay in business unless you borrow $100,000 and we will inject that $100,000 of capital into your business. Well, that is nice. You get to stay in business.

Now you have $109,000 worth of debt to service, but I will just go with the $100,000 because I am speaking off the cuff and I can do the math as we fly. Now your interest burden is not $1,000 on the $10,000 debt you had, it is $10,000 interest on the $100,000 debt you have, and the 10 percent you were paying on principal of the $10,000 debt, that $1,000, now becomes $10,000.

So your business that was servicing with $2,000 a $10,000 debt, now has to have two $20,000s to serve the $10,000 worth of interest and the $10,000 worth of principal on your $100,000 debt.

You have taken your ability, your gross receipts in the business are similar or the same. You can only service $2,000 on the old way of financing with the $1,000 of interest and $1,000 worth of principal, $2,000 out of your $100,000 gross, but when they give you this nice loan that you borrowed $100,000, now you have to figure out how to service $10,000 worth of interest and $10,000 worth of principal out of a $100,000 worth of gross receipts. Instead of it being 2 percent, now it is 20 percent.

I hope this example, Madam Speaker, is explanatory to the President of the United States, to Larry Summers, to the people that are looking at this

economy and believing that John Maynard Keynes had some answers. He had answers all right, but they were the wrong ones, Madam Speaker.

We need to reduce the debt. We need to reduce spending, and only when we do that can we have a free market economy that will work its way out of this and let us be able to pay the interest and pay down the debt so that this economy can finally get around to the side where it is not constantly burdened servicing interest and debt as opposed to the legitimate functions of government.

We did had 2 or 3 years here where we had a balanced budget. There are some reasons for that. I will give Bill Clinton a little credit. And I will give the Republican Congress a lot of credit. They came in here revolutionaries and they decided that they were going to choke spending down, and they did that. I think also, though, the economy outgrew their predictions and so they were a bit surprised when they balanced the budget.

I think Bill Clinton was a bit surprised when the budget came balanced. Those are the fortunate happenstances of history. We need to be more prudent than that even.

We are going to have to go back. This debt commission that meets tomorrow, that starts out with Erskine Bowles and former Senator Alan Simpson as co-chairs, they are going to examine all of this debt and figure out how to look at the debt and the income to bring America into something that is more responsible. I don't think that they think that they are going to balance the budget or make a proposal that will balance the budget, I think they believe that they are going to look at the spending and the income and make some kind of a recommendation that would help compensate the calamity that we are in.

But, Madam Speaker, I would submit that if you want a committee to produce a result, write up that result. Tell me the result you would like and present it to me, and I can appoint for you the committee that will produce the result that you want. That is how it has been done around this Hill since time immemorial, how it is done in the real world, how it is done in the city council meetings and the county supervisory meetings and within the outside committees of our State legislatures. And that is not a criticism of the people who sit on that debt commission.

□ 2200

They are good people by and large and by balance. But they do not represent, I don't believe, the creative ideas in the United States. First of all, I look through that list of people on the commission; I don't find a single person on that commission that supports a national sales tax. I don't find a single person that has advocated for the abolishment of the IRS and the Federal income tax. Not one. Smart people there, yes. Their decisions, though, and their positions, from what I have seen, are not economic positions exclusively. They are pragmatic economic decisions that are tempered by their judgment of political reality.

So couldn't we at the very least, if we wanted to provide solutions for America, couldn't we set all of our politics aside, take away all of this pragmatism that is political pragmatism, not economic realism, throw that off to the side, park it over there in the parking lot, can't we clean out all of the political jargon that's there and sit down and first ask the question: What would be the smartest thing we could do economically in this country? And in the process of doing that, how do we fund this government, the necessary components of the Federal Government?

Madam Speaker, those are the basic questions I have been asking about this country for 30 years. And I am making a recommendation to the debt commission. And I trust that they will overhear this discussion that you and I are having tonight, Madam Speaker. But it comes down to this: if we were going to devise a tax policy for the United States starting from scratch, that proverbial blank slate or a blank piece of paper, that tax policy, Madam Speaker, would not be the Internal Revenue tax or code. We would not generate the IRS. We would not look at this as a tax on income.

Because here is what Ronald Reagan once said. Ronald Reagan once said, ''What you tax you get less of.'' He also said, ''What you subsidize you get more of.'' But I will stick with the tax side of this. What you tax you get less of. The tax is a punishment. We here in America tax, and that is in quotes ''punish'' all productivity in the United States.

If you have earnings, savings or investment, if you punch the time clock and go to work, if you start a business and put your sweat equity matched up with what capital you might have, package that together and start a little factory or a service company, or start marketing an invention, whatever it is that you might do, the IRS will come along and identify that productivity and tax it, punish it, shrink it, take away your incentive to produce it.

Production is what drives this economy, not spending. That's a Keynesian mistake. It's not and never has been an economy that is driven by government spending or the Federal Government borrowing and bonding and putting cash in the hands of people so they spend it into the economy to get this to recover. That is not the answer.

Our answer is we need to produce. We need to increase the production in America, in competition with the rest of the world, and market more goods and services and drive our gross domestic product up. And when we do that, we will see prosperity, the prosperity that comes from our efficiencies, from our productivity producing goods and services that have value. And so when Ronald Reagan said, ''What you tax you get less of,'' he was recognizing that we punish productivity.

The Internal Revenue Service and the income tax code are completely dedicated to taxing all productivity in America, punishing all productivity in America, setting aside everything that is good and productive about our economy and taxing it.

So if you punch a time clock and you go forward and you earn wages, you are taxed on it. At least the payroll tax. The Social Security, Medicare, Medicaid tax, that is on there. You will pay your income tax when you reach a certain threshold. If you have earnings, savings or investment, if you are going to cash in your dividend check, your capital gains, your interest check, all of that's taxed by the IRS.

If you go through life and you acquire an equity base, a net worth, and perhaps you pay the tax on all of your income as you go along, and maybe even your investments didn't appreciate in value and were never taxed in that fashion—if they were you would have paid it—but you have a nest egg of, let's say, $10 million, which is a pretty good lifetime of work, this year you could die and pass it along to your children because the Democrats are asleep at the switch. They would like to tax your estate. They just haven't gotten around to doing that, partly because the gavel in the Ways and Means Committee has been in three different hands, all of that within 24 hours by the way.

All of your productivity, all of your earnings from your work, all of your earnings from your investments and your management of whatever business you might start or your dividends, your capital gains, your interest income, your estate tax, all of that is taxed, all of that is productivity, all of that is punished by the Federal Government today. So what do we get? We get less productivity. We get less investment because the cost of capital goes up. And we get less savings because the interest income on the savings will be taxed by the IRS.

We will have fewer dividends because companies are looking to figure out how they can avoid the corporate income tax in order to not pay out the dividends that come from the profits. And their dividends themselves are taxed. When the board of directors cashes in on those dividends, they are looking at the tax liability; so they are thinking, let's roll it. I don't want to take that out because the IRS will come in and tax.

And by the way, investments in foreign lands, if they are repatriated into

the United States, there will be a capital gains tax against that or an income tax against that as well. So there is in the order of $13 billion in private sector capital that is stranded overseas that isn't coming back to the United States because there is a penalty there for bringing it into this economy. If we would just suspend the tax on all the capital overseas, we would see trillions come back into the United States. Five trillion perhaps in the first year, most if not all of that in the succeeding years.

That's why the fair tax is the right way to go. There are many good reasons why the fair tax is the right way to go, Madam Speaker. But the biggest reason—two big reasons—one big reason is the fair tax ends the IRS. It ends the Internal Revenue Code. It ends the punishment to productivity in America. It stops the punishment of earnings, savings and investment, and lets a person earn all they can earn, save all they want to save, invest all they want to invest, and in fact take the proceeds from the investments out and move them around, put them in an investment where they will return better rather than having to pay tax when you cash that check in.

So now we have all of these people that are involved in tax avoidance, all the tax attorneys that are involved, H & R Block involved in tax avoidance because the taxes may be avoided, they are delayed; but in effect they are often not circumvented. They must be paid eventually. Most of them. That's what this Tax Code is set up to do.

My position is this: I am for H.R. 25. I am for the national sales tax. I am for the fair tax. And what it does, it takes all tax off of productivity, it abolishes the IRS, it puts the tax over on consumption, where it provides an incentive for savings and investment. When you tax consumption, that encourages people to invest and save. And they can build their nest egg. And the capital comes back to the United States. That big chunk of that $13 trillion comes back to the United States.

And all of these high-rise buildings that have highly paid tax lawyers in it and the corporations that have whole floors of their buildings dedicated to tax attorneys, tax advisers, accountants for the purpose of avoiding taxes, all that goes away. And that human capital, the very smart people, moral, hardworking, ethical people who have legitimate jobs in today's environment, they could turn their focus into producing something that has value rather than tax delay or tax avoidance.

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Think what it would be like to take all of those smart brains and turn them loose to help us figure out how to be more productive. Some of them will go out and start a business. Those businesses will go up, and they will be publicly traded businesses eventually. Some of them will go to work for other companies, and they will add to the value of those companies because of their creative ideas. Some of them will be such good nuts-and-bolts accountants that they'll find other ways for companies to make money, and it might well be their companies. Some are entrepreneurs, but the creativity of America is diminished because we're locking up a bunch of human capital to audit and punish the productivity of the American people.

What sense does that make, Madam Speaker? Why do we have a sense of class envy against people who would be productive and who would make money?

Now, I'm not among them. I'm not going to die a rich man, Madam Speaker. There is nobody in my lineage who's going to pass it along to me. I've dedicated my life to this public service and have made a little money in my time, not enough to talk about and certainly not enough to brag about, but I've engaged in this free enterprise economy.

I started a business in 1975 when I had a negative net worth of $5,000. I went out and bought an old, beaten-up bulldozer, an old D–717A. That machine was so decrepit that I couldn't even put it to work to make my first dollar until I took the welder out and welded on it for 2 weeks before I could get it stuck together enough that I could put it to work. I put it to work. After 3 hours, I watched the old pressure gauge go from the peg of high pressure all the way down to zero—just about like that. As that happened, I dropped the throttle down and shut the machine off. I had to tear the engine all the way down and had to put it all the way back together in the rain. My wife was standing there, 4½-months pregnant with our first child, and I was torquing head bolts on a D–7, in the rain, in September. That's how we got started.

I have an appreciation for what it takes to start a business, to make that business go, to grow that business to where we can hire people and can pay wages and benefits. I certainly have an appreciation, Madam Speaker, for walking into my construction office sometime in the early 1990s when I first noticed this. My secretary had taken our Christmas tree and had decorated that Christmas tree with gold silhouettes of Christmas trees, of Santa and a sleigh, of baby Jesus, of the Star of Bethlehem, of snowflakes. Each one of those on that tree was engraved with the name of either an employee, a spouse or one of their children, and there were enough who were dependent upon King Construction to decorate that entire Christmas tree. That was the time it really hit me that the decisions that I made affected the lives of all of those families and their children. It was something that weighed on me heavily but that also gave me great joy during that time—to see that we had built something that so many people were dependent upon, something that was good and just and honest and decent and productive. Of course, the tax burden on that was one of the anchors that we had to drag all the way through.

So I had come to a conclusion that I wanted to eliminate the IRS, that I wanted to end this punishment for productivity, that I wanted to put the tax on consumption, to let people earn all they could earn, to save all they could save, to invest all they wanted to invest, to accept the proceeds of their investments, and to move them around without penalty. Sell anything you want to sell. Take your capital gains. Put it in the bank, and do what you want to do. Yet, when you spend the money, pay the tax.

I understand, and I would think that anybody at this level of government should understand that businesses don't pay taxes. Corporations, sole proprietorships, LLCs don't pay taxes. They collect taxes for government. They pass the costs of taxes through to the consumer, but they don't pay taxes. If they didn't pass those costs along, they would be broke, and we all know that. Businesses are effective and efficient collectors of taxes for government, but they are not taxpayers. So we can get to two principles here:

One I've spoken about in some depth, which is that taxing productivity reduces our productivity. Increasing our productivity is a solution for our economy, so we should take all of the tax off of productivity, and we should put it on consumption.

The next principle is that businesses don't pay taxes. They collect taxes from consumers. So why wouldn't we just allow the 44 or 45 States which currently have a sales tax to use the engine that they have, the system that they have, to collect the sales tax in the same fashion that they're collecting it at the retail outlets within their States now? No exemptions. We'd have to tax sales and service. Yes, government would have to pay that tax. They're paying it today in the embedded costs of the things that they buy. The government has to pay tax. There has got to be a tax on sales and service, and it would only be the last stop on the retail dollar.

So, if it's a farmer, for example, rest easy because, if you go out and buy a new combine or a planter or a tractor or a rotary hoe, or whatever it is that it might be that you need, you wouldn't have to pay sales tax on that equipment because that's a business input cost. So you can buy equipment. You can put it into your fleet. You can work it, but you don't have to pay sales tax on that equipment because it's a business input cost; but if you buy, for example, a cap to put on your head while you ride around in that

combine or while you pull that planter on that new tractor, you'd pay sales tax on the cap because that's a personal item. That's how the differentiation comes down. We would have to tax all goods and services.

So, if people are sitting there thinking, well, my pharmaceuticals will be exempted, no, sorry, we can't exempt them either. Pharmaceuticals wouldn't be exempted. Neither would Pablum or Pampers or any of these products that we would call ''food'' or preferred items for those organizations or entities that we think we'd like to untax, because, as soon as we start creating exemptions, then there's another exemption that has equal or more merit. Pretty soon, it would narrow the tax base to the point where the rate would be too high and we couldn't sustain this. It has to be no exemptions. All tax on sales and services must be paid.

If you were to go out and build a new house, you would pay a sales tax on the materials—on the lumber, on the plumbing, which are all of the things that go into a new house, and on the labor. Though, if you would sell that new house the next week, there would be no sales tax on it because it would be a used house, and the tax would have already been paid on the materials and on the labor. Now, that might seem like a high cost for a new house except that the cost of those materials that would go into the house would be, on average, 22 percent cheaper. That's because there is an embedded Federal tax in everything that we buy, which averages at 22 percent. Remember, these businesses don't pay taxes. They pass them along to the consumers. Here is how it works, Madam Speaker:

Their businesses will factor it into their prices, and they must. That $1 widget has an average of 22-cents' worth of embedded Federal taxes in the price. So, if you would pass this national sales tax, the Fair Tax, you would see competition drive the price down. Your $1 widget would be priced then at 78 cents. Twenty-two percent of the embedded cost of that $1 widget would go down to 78 cents. Yes, you'd have to add back in a 23 percent embedded national sales tax in that on the sales and on the service. Yes, that would take that up to just a skosh over $1 again. Yet people would get 56 percent more in their paychecks. They would have a lot more money to spend. The retail prices wouldn't look a lot different when you'd be done paying the tax than they would today, but the difference is that everybody would see how expensive the Federal tax is, and they would make less demands on government because it would make everyone a taxpayer.

Let me tell you the story of little Michael Dix, who is the son of an outstanding once and future State legislator in Iowa. Little Michael was about 8 years old when this happened. We have a 7 percent sales tax in the State, in many of the regions, and I trust it was in this one. He'd saved up his money, and he wanted to go in and buy a little box of Skittles—those little sweets that are there on the counter. They were 89 cents, and he'd saved his money and had counted it out. He went in and got his Skittles out and laid them up on the counter at the convenience store. He counted out his money, the 89 cents, all the way up to the right penny.

The lady who ran the checkout register rang it up, and said, Okay. That'll be 96 cents.

He looked at her, and he said, But they're 89 cents. That's what it says on the box.

She said, Well, no. You've got to pay the Governor. You've got to pay the tax.

So there he is with the 89 cents, having saved it to buy his Skittles. It's a transaction that's pretty important to Michael Dix, as it should be to any young child that age. He found out that he had to pay the tax and that she wanted 96 cents.

He turned to his dad, and he said, Dad, I have to pay tax on Skittles?

Imagine, Madam Speaker. Imagine what that does. I don't think Michael Dix is going to be a guy who's going to grow up demanding that the Federal Government produce more things for him. I don't think he's going to be one who's going to tolerate higher taxes. I think this young man is going to grow up to personal responsibility, very well aware of how burdensome the Federal and the State governments are. He'll make sure that when government provides a service that it's a good value for that and that it's a necessary service, not one that's frivolous—or, man, he's going to know always that the money came out of the pocket of Michael Dix and that it didn't come out, necessarily, of the pocket of some anonymous person.

It's personal. The national sales tax, the Fair Tax, makes this personal, Madam Speaker. It makes it personal for millions and millions of kids who are growing up in America and who are making billions of transactions. Every time, they're being reminded that the Federal Government is expensive. An expensive Federal Government that makes everybody a taxpayer becomes a Federal Government that those taxpayers demand less of. More freedom. Less taxes. That's the equation.

The national sales tax, the Fair Tax, H.R. 25, is transformative. It's transformative from an economic standpoint because it takes all of the taxes off of productivity, and it puts all of the taxes on consumption. It provides an incentive for earnings, savings, and investments. It abolishes the punishment for production, which is a tax on corporate, personal, and business income tax and taxes on capital gains, investments, interest income, and all of the components—the State tax included. It does all of those things. The Fair Tax does everything good that anybody's tax reform does. It does them all. It does them all better, and the American people are getting closer to understanding what this means.

The American people can visualize what happens—a world without the IRS, a world without punishment for production, a world that has little kids growing up like Michael Dix, who is now a young man who understands that paying taxes is a personal experience. It's transformative, Madam Speaker, for this country to move down the path of a national sales tax and toward abolishing the IRS.

Some will say they support a national sales tax, H.R. 25, the Fair Tax, provided that we first repeal the 16th Amendment, but that sets up an impossible bar. Can we imagine any piece of legislation that we would predicate upon the passage of a constitutional amendment? What if we had the flat tax and we had to pass a constitutional amendment before we could adopt the flat tax? What if we had to pass a constitutional amendment before we raised the debt ceiling? What if we had fixated in the Constitution of the United States a debt ceiling that we couldn't surpass? I think that would be a good thing, actually. I'd like to ratchet it down from where it is now. We couldn't pass that constitutional amendment. The bar is too high. The bar is too high to set the standard that passing the repeal of the 16th Amendment is a condition to adopt a national sales tax. Here is the reality of it:

H.R. 25, the Fair Tax, does this. It starts the process for the repeal of the 16th Amendment and abolishes the IRS. It abolishes the Income Tax Code in its entirety.

Can we imagine the American people freed of the burden of the IRS—freed from the fear of audit? The American people get 56 percent more on their paychecks. They make their own decisions on when to pay their taxes, and the IRS becomes a thing of history, and the Internal Revenue Code—the punishment, the tax on all productivity—is gone.

Do we think for a minute, Madam Speaker, that this Congress of the American people would tolerate the reestablishment of the IRS or the reestablishment of the Income Tax Code? No, they would not. In fact, they would be so glad to get 56 percent more on their paychecks and would be so glad to have the freedom to make the decisions on when to pay their taxes rather than having the IRS tell them, You shall pay it out of every dollar that you make, that they would never tolerate the reestablishment of the IRS nor the reestablishment of the Tax Code. It's that simple. They would, I believe, chase the 16th Amendment

down with a great joy that they would be relieved of it, and they would eventually abolish it and repeal it.

Yet, to set the condition as a bar to pass the Fair Tax, it is too high a bar. It's not an impossibility, but it's an extreme difficulty, and it becomes a semantics argument rather than a practical one. So, Madam Speaker, I'll make this point:

In 30 years of making this argument, I have never run into an argument for some other tax reform that is economically superior to the national sales tax, to the Fair Tax. I have not run into that argument. I have not been in a debate where I thought that the other side made a point that I had trouble addressing economically. The only point that they can make is that, in their judgment, it's too difficult to pass politically.

Well, when you tell the American people that the IRS is going to be gone and that we're going to put those smart, good people at the IRS to work in the productive sector of the economy instead of in the burdensome sector of the economy, they're going to cheer. They're going to stand up, and they're going to applaud. They've done that for me over and over again.

The time is right. The economy is in a sad condition. We don't have a President who understands this free market economy. I don't think he believes in it. He has been nationalizing it right and left. He has been nationalizing the three large investment banks; AIG, the insurance company; Fannie Mae and Freddie Mac; General Motors; and Chrysler. The Student Loan Program has been completely taken over by the Federal Government. ObamaCare has swallowed up the most sovereign thing that we have, our bodies. Our skin and everything inside it has now been taken over and is managed by the Federal Government.

This President and this majority in Congress don't begin to understand the sovereignty of the individual or the free market system that we have, but the American people understand, Madam Speaker. The American people are going to be given a choice this November. They are going to choose freedom. They are going to choose liberty. They are going to choose constitutional conservatism. I look forward to the transformation, to the freedom, and to the liberty that comes from the people who step up to their own personal responsibility.

I thank you so much for your indulgence and for your attention here this evening, and I yield back the balance of my time.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. CUMMINGS (at the request of Mr. HOYER) for today on account of business in the district.

Mr. DAVIS of Illinois (at the request of Mr. HOYER) for today.

Ms. FUDGE (at the request of Mr. HOYER) for today on account of official business.

Ms. KILPATRICK of Michigan (at the request of Mr. HOYER) for today.

Mr. CULBERSON (at the request of Mr. BOEHNER) for today on account of illness.

Mr. FLEMING (at the request of Mr. BOEHNER) for today on account of unavoidable travel delays resulting from inclement weather.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. ALTMIRE) to revise and extend their remarks and include extraneous material:)

Ms. WOOLSEY, for 5 minutes, today.

Mr. ALTMIRE, for 5 minutes, today.

Mr. DEFAZIO, for 5 minutes, today.

Ms. JACKSON LEE of Texas, for 5 minutes, today.

(The following Members (at the request of Mr. POE of Texas) to revise and extend their remarks and include extraneous material:)

Mr. POSEY, for 5 minutes, April 29.

Mr. FORBES, for 5 minutes, April 27 and 28.

Mr. DENT, for 5 minutes, April 28.

Ms. ROS-LEHTINEN, for 5 minutes, April 27 and 28.

(The following Member (at her own request) to revise and extend her remarks and include extraneous material:)

Ms. ROS-LEHTINEN, for 5 minutes, today.

ADJOURNMENT

Mr. KING of Iowa. Madam Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 10 o'clock and 25 minutes p.m.), under its previous order, the House adjourned until tomorrow, Tuesday, April 27, 2010, at 10:30 a.m., for morning-hour debate.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XIV, executive communications were taken from the Speaker's table and referred as follows:

7168. A letter from the Director, Regulatory Management Division, Environmental Protection Agency, transmitting the Agency's final rule — Alkyl (C12-C16) Dimethyl Ammonio Acetate; Exemption from the Requirement of a Tolerance [EPA-HQ-OPP-2009-0479; FRL-8816-5] received April 7, 2010, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

7169. A letter from the Director, Regulatory Management Division, Environmental Protection Agency, transmitting the Agency's final rule — Kasugamycin; Pesticide Tolerances for Emergency Exemptions [EPA-HQ-OPP-2008-0695; FRL-8808-7] received April 7, 2010, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

7170. A letter from the Director, Regulatory Management Division, Environmental Protection Agency, transmitting the Agency's final rule — Thifensulfuron methyl; Pesticide Tolerances [EPA-HQ-OPP-2009-0134; FRL-8818-9] received April 7, 2010, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

7171. A letter from the Secretary, Deapartment of the Army, transmitting notification that the Average Procurement Unit Cost (APUC) and Program Acquisition Unit Cost metrics for the Army's Advanced Threat Infrared Countermeasure and Common Missile Warning System (ATIRCM/CMWS) program, pursuant to 10 U.S.C. 2433(e)(1); to the Committee on Armed Services.

7172. A letter from the Assistant Secretary, Department of Defense, transmitting modernization priority assessments for the National Guard and Reserve equipment for Fiscal Year 2010; to the Committee on Armed Services.

7173. A letter from the Deputy to the Chairman, Federal Deposit Insurance Corporation, transmitting the Corporation's final rule — Transitional Safe Harbor Protection for Treatment by the Federal Deposit Insurance Corporation as Conservator or Receiver of Financial Assets Transferred by an Insured Depository Institution in Connection With a Securitization or Participation (RIN: 3064-AD55) received April 8, 2010, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Financial Services.

7174. A letter from the Chairman, Federal Reserve System, transmitting the Board's report pursuant to the Buy American Act for Fiscal Year 2009; to the Committee on Financial Services.

7175. A letter from the Director, Regulatory Management Division, Environmental Protection Agency, transmitting the Agency's final rule — Approval and Promulgation of Air Quality Implementation Plans; Indiana; Alternate Monitoring Requirements for Indianapolis Power and Light — Harding Street Station [EPA-R05-OAR-2009-0118; FRL-9124-9] received April 7, 2010, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Energy and Commerce.

7176. A letter from the Director, Regulatory Management Division, Environmental Protection Agency, transmitting the Agency's final rule — Revisions to the California State Implementation Plan, Sacramento Metropolitan Air Quality Management District [EPA-R09-OAR-2010-0045; FRL-9124-5] received April 7, 2010, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Energy and Commerce.

7177. A letter from the Principal Deputy General Counsel, Federal Energy Regulatory Commission, transmitting the Commission's final rule — Transmission Relay Loadability Reliability Standard [Docket No.: RM08-13-000; Order No. 733] April 8, 2010, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Energy and Commerce.

7178. A letter from the Chief, Publications and Regulations Branch, Internal Revenue Service, transmitting the Agency's final rule — Approval and Promulgation of Air Quality Implementation Plans; Wisconsin; Particulate Matter Standards [EPA-R05-OAR-2009-0731; FRL-9129-7] received April 7, 2010, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Energy and Commerce.