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Floor Statement of Senator Chuck Grassley
American “Leisure Class” Is Not
30 Million Families and Individuals
Delivered Thursday, June 26, 2008

Last week I spoke about the tax extenders bill. I also emphasized the importance of passing an AMT patch. Passing these measures is not only good policy, but it’s good government. We shouldn’t wait until the end of the year to enact these tax bills.

But I want to take a moment to talk about other tax matters that this Congress must address very very soon. I’m referring to the bipartisan tax relief that this Congress passed in 2001 and 2003. Not the BUSH TAX CUTS, as my friends on the other side of aisle would like our friends in the media to call them. But BIPARTISAN TAX RELIEF.

I’ve actually noticed that my Democratic colleagues like the reference, “TAX RELIEF.” They have used the reference on the campaign trail of their Presidential candidate. How ironic!! My Democratic friends label the BIPARTISAN TAX RELIEF the BUSH TAX CUTS, yet they call their own tax plan TAX RELIEF. Especially when this so-called “Democratic tax relief” is merely an extension of the 2001 reductions in tax rates for certain taxpayers. Well, I’m not surprised. After all, it is the political season.

But I am angered. I am dismayed. I am disappointed that the poll-driven use of the terms BUSH TAX CUTS flow so easily off of the tongues of the Democratic leaders. And the media folks can’t get enough, so they continue to repeat the BUSH TAX CUTS over and over and over again. But you know what really disappoints me. The fact that the Democratic leadership – and their Presidential candidate – are telling Americans who make less than \$250,000 a year that their taxes will not go up if they vote for the Democrats in November. This is intellectually dishonest and the folks in the media should call them on this. Why?! Because my friends on the other side will increase capital gains rates. They will also increase the tax rate on dividend income. I told this body and my friends in the media that Americans earning less than \$250,000 HAVE capital gains each year. They ALSO claim dividend income. Here, I’ll remind my colleagues and the media that over 24 million tax returns last year claimed dividend income. You can bet your bottom dollar that not all of them were making \$250,000 or more. Also, over 9 million Americans claimed a capital gain. Here’s a chart illustrating that.

You would be correct if you guessed that not all of these Americans were making more than \$250,000. I'll bet some of them were low-income taxpayers taking advantage of a lower capital gains rate that is now ZERO. That's right. ZERO. Speaking of ZERO. The junior Senator from Illinois has proposed to reduce the capital gains rate for start-up companies from 7.5% -- which is the current rate -- to zero.

I like his thinking here. But the distinguished Senator will increase the capital rates in other areas by at least 33%. That strikes me as counter-productive. That's re-arranging the deck chairs. It's simply squeezing the balloon. It's hot air. And it's certainly not change you can believe in.

Let me get back to the tax increase that Americans making less than \$250,000 will see. I want to take a moment to talk about an interview conducted by Wolf Blitzer of CNN.

On his program Sunday, June 15th, Mr. Blitzer delved into the capital gains and dividend income issue. He asked his guest -- the Chairman of the Democratic Congressional Campaign Committee ("DCCC") -- whether Senator Obama's plan to tax dividends and capital gains would increase taxes for Americans of every background. I'm glad Mr. Blitzer asked the question.

The most interesting point to this story is the response. The response was that Senator Obama will increase the capital gains rates. Let me repeat that. If the distinguished Senator from Illinois is elected President, he will raise the rates on capital gains. Why?!? Apparently the junior Senator from Illinois thinks investment income is quote, unquote LEISURE INCOME. He thinks that "leisure income" should NOT get the same "breaks" as income earned through labor. I would like to submit for the record an excerpt of the transcript from the June 15 show on CNN so folks in the media can see this. The excerpt is the full interview of the DCCC Chairman. I've highlighted the portion of the interview that I would like folks to pay attention to.

To quote the DCCC Chairman, "[Senator] Obama has said that you shouldn't give a break to LEISURE over LABOR." The DCCC Chairman expounded upon this by saying, quote, "In other words, people who are making money simply by investing it, rather than through their work in the labor force, shouldn't be getting a break over the people who are going to work every day." The DCCC Chairman thinks "that makes sense."

So the Democratic Leadership -- and their Presidential candidate -- believe that current tax policy favors "LEISURE over LABOR." And that they consider that **all** investment income is LEISURE income. So what they are saying is that anyone who saves and invests is a person of "leisure." Maybe my Democratic friends have been reading the writings of Thorstein Veblen. Professor Veblen authored the Theory of the Leisure Class. The Theory of the Leisure Class took a satiric look at American society and economics. The Theory of the Leisure Class characterized this "leisure class" as individuals who only benefited society in a minor or peripheral way because they did not engage in labor-intensive jobs. Instead, the "leisure class" often prevailed over "labor income" classes by making profits without producing goods and services.

Professor Veblen also argued that certain labor-income individuals began to mimic or emulate the "leisure class" to achieve higher status. So is the distinguished DCCC Chairman -- or his Presidential candidate -- suggesting that **all** people who invest money are part of a "leisure class"?!

A “leisure class” that is making money rather than producing goods and services?!? And as a result, they should not get any “breaks” over those who are laboring for their money?! Do they want to discourage those who labor and produce goods and services from saving and investing?! Do they want to discourage laborers from mimicking or emulating those profiting off of investments?! They seem to think that all folks who invest are higher-income people.

As an aside, if the DCCC Chairman were correct, we would not have at least 5 million Americans using the low-income Saver’s Credit. I have a chart here. It shows the number of low-income taxpayers on a State-by-State basis claiming the Saver’s Credit. This data is from 2003. In Iowa – for instance – there were almost 96,000 low-income families and individuals using the Saver’s Credit.

Chairman Baucus and I designed this policy in the 2001 BIPARTISAN TAX RELIEF legislation. Now, it’s permanent law. About 5.5 million low-income savers – not people of LEISURE – used the credit. I’d tell the DCCC Chairman and the junior Senator from Illinois that these low-income savers are not figments of our imagination. They are real people!! I don’t think they consider themselves members of the “leisure class.”

I would encourage everyone to study this transcript. You’ll see that the distinguished Senator from Illinois – according to one of his surrogates – wants to tax investments because he believes that making investment income is LEISURE. He believes that hard-working Americans shouldn’t get a “break” on this type of income. He believes that taxpayers don’t work hard enough to earn investment income. And that those who do work hard, shouldn’t be given incentives to invest.

I would like my friends on the other side to know that investments begin with a taxpayer’s hard-earned income. So in order to invest it, they have to work hard to earn it. Also, I’d like my Democratic friends – who agree with the DCCC Chairman – to ask any taxpayer who saves and invests their money whether they think investing is easy. It’s hard work. You have to educate yourself and make prudent decisions. Ask them if investing their own money is “leisure.” The other side thinks it’s like sitting on the beach.

It’s almost like the other side is reviving the “two Americas” that former Democratic Presidential candidate Senator John Edwards was all about. But here, my friends on the other side are saying that higher-income people – or folks in the “leisure” class, according to Professor Veblen – are the only taxpayers who invest. They contend that these folks are BAD. That this “leisure class” should no longer have incentives to invest.

At the same time, my friends are taking away incentives for hard-working Americans to save and invest. The implication is that if you save and invest you are BAD and if you do not save and invest you are GOOD. But this is going too far. In my opinion, it’s off the reservation. Separating workers who save and invest from workers who do not save and invest is new territory for the Democratic party and should not go unchecked. The junior senator from Illinois eloquently states that we need to move past division and we as Americans should come together. My friend talks about his disdain for old-style politics and emphasizes change. But it is interesting to hear the surrogates of Senator Obama reaching back to the class-warfare discussions that took place in the 19th Century. This is NOT CHANGE YOU CAN BELIEVE IN.

Middle- and low-income investors should be appalled. Appalled because their government believes that their pursuit of the American dream is all LEISURE. And that the government wants to increase their taxes. Yes, on Americans who make less than \$250,000.

So following the question of Mr. Blitzer, I'd like to ask my Democratic friends whether Americans making less than \$250,000 will see a tax increase under a Democratic Administration.

I would like to know whether they agree with Senator Obama and the Democratic Leadership and believe that investment income is LEISURE income.

My Democratic friends may respond that the junior Senator from Illinois wants to give middle-income folks a tax cut. But this middle-class tax cut is fiction for those middle-income taxpayers who save and invest. I challenge my media friends to tell Americans what is really going on here.