United States Senate
Committee on Finance

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Statement of Sen. Chuck Grassley
Hearing on the Nomination of Neal Wolin, to be Deputy Secretary of Treasury, U.S. Department of Treasury
Friday, May 8, 2009

I want to begin by repeating something I said at the beginning of Secretary Geithner's nomination hearing. I told Mr. Geithner that the Treasury Secretary possesses a great deal of power even in ordinary times, and that in these extraordinary times that position is even more powerful. I repeat that because the same holds true for the position of Deputy Secretary of the Treasury. Mr. Wolin, if confirmed you will potentially have a hand in everything the Treasury Department does. Many of those policy areas are of special concern to this committee. Tax policy is always a priority of this committee, but public debt, tariffs and trade, and terrorist financing, among many other issues are also of concern. Of course this is in addition to this committee's fundamental responsibility to exercise oversight over the Treasury department. You will have a very steep learning curve in your new job and not much time to climb it.

This committee's oversight responsibilities and public debt concerns have converged in the Troubled Asset Relief Program, or TARP program. Proving the need for strong oversight from its creation, the TARP program was originally sold to Congress as a tonic to heal our economy by purchasing troubled assets, and it instead became a toxin to free enterprise as money was arbitrarily distributed without transparency. A few months ago some were saying that the $700 billion TARP program could actually make money for taxpayers. However, in January of this year the Congressional Budget Office put the price tag of the TARP program at $189 billion and in late March revised that number upward to $356 billion. I wouldn't be surprised to see this number climb in the future, but already taxpayers are losing more than half their investment in the TARP program.

The massive and growing costs of the TARP program, combined with the costs of the President's $787 billion economic stimulus bill, have led to increased concerns about the size of our deficits and our inability to budget responsibly. A common response to these concerns is to blame the previous administration, and there is some validity there. The last administration did create a perilous budget situation and left a large deficit behind. Despite this, we are expected to end the current fiscal year with a deficit of $1.7 trillion according to CBO. I think we can all agree that running large deficits is bad, but it simply does not follow that the remedy is to run even larger deficits. $1.7 trillion amounts to around 12% of GDP. To put that into perspective, the highest deficit level in the post-World War II period was 7.2% in 1946 and 6% in 1983. We aren't just pushing the envelope when it comes to running a large deficit -- we are going into uncharted territory, and I'm not sure we will be able to find our way back to fiscal responsibility. I raised concerns about deficits in my written questions to Dr. Alan Krueger who was confirmed this past Wednesday as Treasury Assistant Secretary for Economic Policy.

His response read in part "At 12.3 percent of GDP in FY2009, the budget deficit does reach a very high level, but the Administration projects that the growing economy and the end of temporary spending measures and other policy developments will cause the deficit to decline sharply going forward." Leaving aside the question of whether our recent spending spree will actually be temporary, I'm concerned that relying on the economy to grow us out of our deficits may not be realistic given our approach to federal government revenues.

As I've already said, federal revenues, or what most people call taxes, are a large part of this Committee's jurisdiction, and we are approaching a crisis. In additional to the usual constellation of tax provisions that expire on an annual basis, at the end of 2010 most of the bipartisan tax relief enacted in 2001 and 2003 will expire. President Obama has indicated that he supports making many parts of the 2001 and 2003 tax relief permanent, but that is not the case on lower rates for capital gains and dividends. If we expect our economy to have any chance to grow us out of our deficits, we can't penalize saving or investment. Furthermore, the stated willingness of the Administration to raise taxes on taxpayers earning more than $250,000 a year could be a serious blow to small business. Finally, any cap and trade scheme would likely lead to massive increases in energy prices that would impact everyone regardless of their income level.

I'm very concerned that the nation's tax policy is being driven by a ravenous hunger for revenues rather than by a desire to promote economic growth. This ravenous hunger is itself derived from massive budget deficits and runaway government spending that in many cases, as with the TARP program, is subject to a completely inadequate amount of oversight.

It is imperative that the next Deputy Secretary of the Treasury assists Congress in conducting appropriate oversight into the TARP program along with all other activities the Treasury department is engaged in. This role was assigned to Congress by the U.S. Constitution, and the people I work for expect me to carry it out. I hope more serious thought is given to the short and long-term budget and revenue pictures as well. I worry—and I'm not the only one—that instead of solving the problems we now have, we are creating more problems that will take generations to solve.