

SEC. 1703. STUDY AND REPORT OF ERRONEOUS RESPONSES SENT UNDER THE PILOT PROGRAM FOR EMPLOYMENT ELIGIBILITY CONFIRMATION.

(a) STUDY.—As soon as practicable after the date of the enactment of this Act, the Comptroller General of the United States shall conduct a study of the erroneous tentative nonconfirmations sent to individuals seeking confirmation of employment eligibility under the pilot program established under section 404 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (division C of Public Law 104-208; 8 U.S.C. 1324a note).

(b) MATTERS TO BE STUDIED.—The study required by subsection (a) shall include an analysis of—

(1) the causes of erroneous tentative nonconfirmations sent to individuals under the pilot program referred to in subsection (a);

(2) the processes by which such erroneous tentative nonconfirmations are remedied; and

(3) the effect of such erroneous tentative nonconfirmations on individuals, employers, and agencies and departments of the United States.

(c) REPORT.—Not later than 2 years after the date of the enactment of this Act, the Comptroller General of the United States shall submit to the Committee on Finance and the Committee on the Judiciary of the Senate and the Committee on the Judiciary and the Committee on Ways and Means of the House of Representatives a report on the results of the study required by this section.

SEC. 1704. STUDY AND REPORT OF THE EFFECTS OF THE PILOT PROGRAM FOR EMPLOYMENT ELIGIBILITY CONFIRMATION ON SMALL ENTITIES.

(a) DEFINITIONS.—In this section:

(1) APPROPRIATE COMMITTEES OF CONGRESS.—The term “appropriate committees of Congress” means—

(A) the Committee on the Judiciary of the Senate; and

(B) the Committee on the Judiciary of the House of Representatives.

(2) COMPTROLLER GENERAL.—The term “Comptroller General” means the Comptroller General of the United States.

(3) PILOT PROGRAM.—The term “pilot program” means the pilot program described in section 404 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (division C of Public Law 104-208; 8 U.S.C. 1324a note).

(4) SMALL ENTITY.—The term “small entity” has the meaning given that term in section 601 of title 5, United States Code.

(b) STUDY.—As soon as practicable after the date of the enactment of this Act, the Comptroller General shall conduct a study of the effects of the pilot on small entities.

(c) MATTERS TO BE STUDIED.—

(1) IN GENERAL.—The study required by subsection (b) shall include an analysis of—

(A) the costs of complying with the pilot program incurred by small entities;

(B)(i) the description and estimated number of small entities enrolled in and participating in the pilot program; or

(ii) why no such estimated number is available;

(C) the projected reporting, recordkeeping, and other compliance requirements of the pilot program that apply to small entities;

(D) the factors that impact enrollment and participation of small entities in the pilot program, including access to appropriate technology, geography, and entity size and class; and

(E) the actions, if any, carried out by the Secretary of Homeland Security to minimize the economic impact of participation in the pilot program on small entities.

(2) DIRECT AND INDIRECT EFFECTS.—The study required by subsection (b) shall ana-

lyze, and treat separately, with respect to small entities—

(A) any direct effects of compliance with the pilot program, including effects on wages and time used and fees spent on such compliance; and

(B) any indirect effects of such compliance, including effects on cash flow, sales, and competitiveness of such compliance.

(3) DISAGGREGATION BY ENTITY SIZE.—The study required by subsection (b) shall analyze separately data with respect to—

(A) small entities with fewer than 50 employees; and

(B) small entities that operate in States that require small entities to participate in the pilot program.

(d) REPORT.—Not later than 2 years after the date of the enactment of this Act, the Comptroller General shall submit to the appropriate committees of Congress a report on the study required by subsection (b).

SEC. 1705. RESTRICTION ON USE OF FUNDS.

None of the funds made available in this Act may be used to enter into a contract with a person or government entity that does not participate in the pilot program described in section 404 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (division C of Public Law 104-208; 8 U.S.C. 1324a note).

PRIVILEGES OF THE FLOOR

Mr. BAUCUS. Madam President, I ask unanimous consent the following Finance Committee interns be allowed the privilege of the floor during the consideration of the American Recovery and Reinvestment Act: Chris Eden, Michael London, and Mai Meneissky.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

**ORDERS FOR TUESDAY,
FEBRUARY 10, 2009**

Mr. REID. Madam President, I ask unanimous consent that when the Senate completes its business today, it stand adjourned until 10 a.m. on Tuesday, February 10; that following the prayer and pledge, the Journal of proceedings be approved to date, the morning hour be deemed expired, the time for the two leaders be reserved for their use later in the day, and the Senate resume consideration of H.R. 1, the American Recovery and Reinvestment Act, as provided under the previous order.

The PRESIDING OFFICER. Without objection, it is so ordered.

PROGRAM

Mr. REID. Madam President, under the previous order, votes in relation to the Collins-Nelson of Nebraska substitute amendment and passage of H.R. 1 will occur at about noon tomorrow. Additional votes are possible later in the day in relation to the executive nominations.

EXECUTIVE SESSION

EXECUTIVE CALENDAR

Mr. REID. Madam President, I ask unanimous consent that the Senate

proceed to executive session to consider Calendar Nos. 11, 12, and 13; that the nominations be confirmed en bloc, and the motions to reconsider be laid upon the table en bloc; that no further motions be in order; that any statements relating to the nominations be printed in the RECORD; that the President be immediately notified of the Senate's action, and the Senate return to legislative session.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

The nominations considered and confirmed en bloc are as follows:

DEPARTMENT OF DEFENSE

Michele A. Flournoy, of Maryland, to be Under Secretary of Defense for Policy.

Robert F. Hale, of Virginia, to be Under Secretary of Defense (Comptroller).

Jeh Charles Johnson, of New York, to be General Counsel of the Department of Defense.

LEGISLATIVE SESSION

The PRESIDING OFFICER. The Senate will now return to legislative session.

ORDER FOR ADJOURNMENT

Mr. REID. Madam President, unless someone has an objection, I would ask that the Senate stand adjourned under the previous order, following the remarks of Senator GRASSLEY. Is there anyone who has an uncontrollable urge to speak tonight?

Ms. LANDRIEU. Madam President, reserving the right to object—

The PRESIDING OFFICER. The Senator from Louisiana.

Ms. LANDRIEU. Would the majority leader allow me to speak for up to 5 minutes after Senator GRASSLEY?

Mr. REID. Yes, that would be appropriate.

Madam President, following the remarks of Senator GRASSLEY and Senator LANDRIEU, I ask unanimous consent that the Senate stand adjourned under the outlined consent that I have submitted.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Iowa.

THE ECONOMY

Mr. GRASSLEY. Madam President, one of the arguments we have heard in support of the proposed \$1 trillion stimulus bill is that our economy is performing below its potential. It is argued we have a gap between what we could produce and what we are producing.

There is no question our economy is producing less than it could. It is quite obvious we are in a recession. But that does not mean a massive, temporary increase in Government spending can fill the gap and thus restore our economy to its full potential. In fact, the opposite is true.

The proposed \$1 trillion increase in Government spending will impede recovery and reduce future growth. The

Congressional Budget Office—which I want to remind people listening, as well as my colleagues who tend to forget it—is a nonpartisan group of people who are professionals in making judgments about Government programs and what they cost. The Congressional Budget Office reported last week that the stimulus bill will create temporary jobs that cost as much as \$300,000 apiece, and then it will reduce jobs permanently compared to no stimulus bill at all.

Economists often talk about the economy in terms of a circular flow. The circle assumes a continuous flow between production and consumption. Businesses hire workers who produce goods and earn a salary in order to buy the goods they produce. According to this world view, whenever production declines, the solution is to increase demand and thereby boost production.

In reality, the economy is not a circle. Production involves a series of steps in which raw materials are transformed into intermediate goods which are transformed into finished products. This process takes time as value is added at every step. That is what production is all about: adding steps to the process until you get to a finished product.

For example, to make bread, we need to grow wheat. To grow wheat, we need to work the land. To work the land, we need tractors. To build tractors, we need plastic, steel, rubber—and you know all the other components. Nearly every step of this process relies on trained individuals with unique skills and unique knowledge, people who utilize tools and material designed to meet their very specialized needs.

Given the complex structure of production, an increase in the demand for bread cannot instantaneously bring about an increase in the supply of all the things needed to produce more bread. Likewise, a reduction in the demand for bread cannot instantaneously convert all of the people's places and things previously used to produce bread into some other productive alternative.

At a given point in time, our economy is comprised of a specific set of goods and services, each with its unique factors of supply and demand. When market conditions change—either because of fickle consumers or maybe foreign competition or maybe rising oil prices or maybe a stock market bubble or a housing bubble, which we all know about now—some of the goods and services that existed before the change are no longer suitable to meet the market conditions that exist after that change. Those are some conditions we are in right now.

The unemployed workers and idle resources that exist today are largely the result of the decline in home prices and the associated turmoil in the financial markets. Most everyone in this body knows that. I think most people at the grassroots know there were problems with housing that brought about our

credit crunch and the unemployment and recession we have now because our housing market was overleveraged, overpriced, and unsustainable, bringing about a great deal of unemployment caused by changes in the economy and adjustments to that economy going on and not going on in a very likeable way.

The bursting of the housing bubble has not only affected homebuilders, realtors, and mortgage brokers, it has also spilled over into other areas of our economy. For example, falling housing prices have reduced the ability of many homeowners to finance nonhousing-related spending through the use of home equity loans.

As workers become unemployed and resources idle, it is said that our economy has fallen below its potential, and we all know that. However, that does not mean a massive temporary increase in Government spending can fill that gap that we all realize exists and, hence, cannot necessarily restore our economy to its full potential because massive temporary increases in Government spending does not have that effect. Spending for the sake of spending, then, is not a solution.

Every dollar the Government spends does, in fact, have a cost, regardless of whether the dollar comes from taxes, from borrowing or through the printing press. When the Government spends money, what does it do? It diverts workers and resources from alternative uses. We may not think about that, but that is the impact of the Government on the free market economy we have. During a recession, when workers are unemployed and resources are idle, it is argued that this diversion is a good thing. However, the stimulus bill is not restricted just to unemployed workers and just to idle resources. Moreover, the stimulus bill is supposedly temporary.

Consider the implications of unrestricted, temporary Government spending. I wish to have my colleagues consider those. In one case, unemployed workers obtained temporary make-work jobs and, therefore, delay their search for meaningful, long-term employment. In the other case, employed workers are diverted from their current employment into temporary make-work jobs and thereby reduce the output of other goods and services. Thus, if you think about temporary make-work jobs, they add little or no value to the economy, while diverting employment from other jobs, probably other jobs that are very long term and productive. As a result, the money paid to these workers increases the demand for goods and services while reducing the supply. We know what results then: more inflation and less growth.

The only way the Government can increase economic growth is by spending other people's money more efficiently than those individuals would. But instead of arguing the Government can spend money better than everyone else, the supporters of the stimulus bill

are relying on the argument that Government can spend money faster than everyone else can. As President Obama said last week in Williamsburg, VA:

So then you get the argument, "Well, this is not a stimulus bill, this is a spending bill." What do you think stimulus is? That is the whole point.

However, that is not the whole point. What matters is whether we are producing goods and services that people want to buy or whether the Government is paying people to engage in activities that have less value than the private sector alternatives.

Let me be clear. Not all Government spending is wasteful and unnecessary. Government spending designed to meet a critical need can be beneficial, and we can list a lot of things the Government does that are beneficial but not necessarily the things that are in this stimulus bill or at least not all of them. We could go to building the interstate highway system, for example. It increased our ability to travel and transport goods across the Nation. However, the economic benefit is derived from the transportation services that result from the interstate highway system and not from the jobs that created the interstate highway system.

If the goal of infrastructure spending is jobs, then why not give everyone a shovel or a spoon or even build roads by our hands. We could create millions of jobs. Now, no one has proposed that—at least not yet—but the point ought to be very clear. When Government spends money in order to create as many jobs as possible, as fast as possible, we end up with Government boondoggles instead of sound economic policy.

As an aside, I would point out that repairing our existing infrastructure is a necessary expense; however, such activity causes increased traffic congestion and delays. The loss in productivity and output due to increased travel time and fuel consumption is an unavoidable cost of maintaining an existing benefit, which the interstate highway is or which all our highways and streets and roads are. There may be a cost-benefit analysis that shows we would benefit from spending more to build and maintain our infrastructure; however, this analysis would also show that cost is ongoing over a long period of time.

I ask unanimous consent for 1 more minute.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRASSLEY. We should not waste valuable resources on needless, temporary projects, nor should we fool ourselves into believing that truly useful projects can be funded on a temporary basis. Any worthwhile investment will involve an ongoing expense.

Those who claim all the spending in the stimulus bill will be temporary are essentially admitting it will have no lasting value. Alternatively, those who claim it will have a long-term benefit are essentially admitting the spending

will not be temporary. Clearly, both these claims cannot be true. Contrary to what some people might have us believe, a massive increase in Government spending for the purposes of creating temporary make-work jobs is not a sound economic recovery plan.

I yield the floor.

The PRESIDING OFFICER (Mr. WARNER). The Senator from Louisiana is recognized.

SMALL BUSINESS

Ms. LANDRIEU. Mr. President, I have a great deal of respect for the Senator from Iowa. He has served with such distinction in this body. However, I have to rise to say that while he is sincere in his opinion, I am very proud that 61 Senators cast a vote for the opposite view; that view being that the failed policies of the past were just that, failed, and have left America wanting.

We have a very serious economic crisis that is not going to be solved by the same old tired, failed, bankrupt policies as part of what the Senator expressed continues to want to carry out—policies that give untargeted tax cuts to those at the top of the tax bracket and hope and pray that it trickles down to everyone else; policies that empower the individual at the expense of the collective effort, and other policies that have left this country wanting. That is why 61 Senators came to the floor of the Senate and rejected those old notions and set a new course. Our President, with his election and now his leadership since that election, is leading us to adopt new strategies; a collective energy, recognizing that individuals alone cannot, no matter how individually empowered, build the highways and infrastructure necessary or transform the economy in a new way that can be invigorating and hopeful to the American people who are in desperate need of a new course.

So I wished to come to the floor, though, to briefly speak about some of the things that are in the underlying bill we voted on to invoke cloture that have to do with small business: expanding it, highlighting it, focusing on small business. Before I do that with my colleague, Senator SNOWE, my good friend from Maine, let me also mention it is my hope, as this bill moves through the process of conference, that the House Members and the Senate Members, along with the President and the administration, can give a bit more focus on the infrastructure portions of this bill. It is something I think the Presiding Officer, Democrats, and Republicans have said: If the bill was light in anything, it may be light on the infrastructure piece. That is not to say that not a lot of good effort has gone into that, but perhaps we could make the bill stronger, which it has gotten, in my view, stronger at every step. Whether it is highways, waterways, high-speed rail, flood control, wetlands, coastal restoration, help

with sewer and water, broadband, transformation of our electric grid, and, yes, investing in the infrastructure of science and technology in this country, we are woefully behind.

So I am hoping—one final point on that and then I will get to our colloquy on small businesses in a minute—I am hoping our Governors, Republican and Democratic alike, will take this as it is intended: an opportunity to help them balance their ships of State as we move through these rocky and rough waters over the next 12 to 18 months; that they take this money in the spirit it was given: to be a partner with them and the mayors and county commissioners, and in my State, parish officials, to help keep people employed, to help target this effort to where we can create the kind of jobs people most certainly need.

One of the best parts of the debate this weekend and one of the most moving was when BARBARA BOXER, and then again today BYRON DORGAN, put the picture of the 1,000 people in line for 35 firefighter jobs. I wish to remind my friends on the other side that people don't want speeches, they want jobs. If 1,000 people line up for 35 firefighter jobs, that is what this bill is intended to do.

It leads me to the colloquy Senator SNOWE and I wished to come to the floor to engage in about the underlying bill and some of the advantages and provisions this bill has for small business.

First, let me thank the Senator for her leadership over the years as a chair and ranking member of this important committee. Let me also acknowledge the great leadership in recent years of Senator JOHN KERRY, the chairman of the Small Business Committee. Particularly in regards to this particular bill, working out some bipartisan provisions that we could include, I wish to thank Senator DURBIN and his staff who worked closely with us.

I wish to begin my brief colloquy with a statement that might be surprising to some who are listening, that 40 percent of all the capital in the country for small business, basically, comes through or touches the Small Business Administration. That is how important this small department of only 2,000—it used to have 3,000 people—it was terribly, and unjustifiably, in my view, cut under the previous administration. I wish to acknowledge that Senator SNOWE has been a fierce and effective advocate. In the case of those cuts, she argued, sometimes successfully and sometimes not, those cuts shouldn't take place. Nonetheless, the Presiding Officer has started a small business that turned into a large business, and he knows that one of the great challenges right now is access to capital and affordable capital. We are not talking about access to being able to use a credit card at 21 percent or 15 percent. That is not affordable capital. We are not talking about mortgaging your house only to watch the value fall

by 50 percent. We are talking about things that could really spur the flow of the capital markets in this country.

Briefly, in the underlying bill we voted cloture on, we have eliminated the fees associated with the 504 economic development program, the 7(a) program, and the 504 program.

Lending is down by 40 to 60 percent, depending on the State. In Louisiana, we are down 60 percent. We think by eliminating these fees, it may spur banks to lend money and borrowers to come forward for this access to capital.

For over 50 years, the SBA's lending programs provided critical financing to small business owners who could not get affordable loans in the conventional market. In the wake of the financial crisis and this recession/depression, the SBA loan programs have not filled the void left by increasingly tight markets for conventional bank loans. We hope some of the provisions in this bill will help reduce that trend.

The fee waivers supported by the U.S. Chamber of Commerce and other business groups are very encouraging by the results when we did this the last time, after the 9/11 attacks—what that might mean to spur economic growth in this country in the next few months and years to come.

Let me also mention that in the underlying bill, we specifically targeted microloans. This might also be surprising to many, but the microloan program provides very small loans—on average about \$13,000 per loan. That seems to be very small, but sometimes I think we get caught up in billions and billions and we forget that sometimes \$5,000, or \$10,000, or \$20,000 is all it takes to get a good idea off the ground and to help create jobs in America.

I want to say, since so many Government programs get a bad rap and a black eye, this program—in large measure, my colleague from Maine helped to start it in 1992—the microloan program has been one of the most successful programs to date, having just one loss in its 18-year history, just one loss. Microloans are made to the smallest of businesses, typically home-based businesses, startups, newly established or small businesses. The program has always also been a great way to meet the needs of minority women and rural small business owners.

The final part of this bill I want to mention before turning it over to my colleague is the venture capital funds that will also stimulate the flow of venture capital to emerging small businesses by providing flexibility for participants in the SBA's Small Business Investment Company programs, SBIC programs, which have been successful. The language in the underlying bill will give them the flexibility to even be more successful. The occupant of the chair knows, Virginia's economy is growing and being spurred by new investment in small business. The Chair has had, as Governor of that State, a