

Let me quote the first three sentences of their op-ed:

Wanted: A strategy for economic growth, full employment, and deficit reduction—all without inflation. Experience shows how to get there. Credible actions that reduce the rapid growth of federal spending and debt will raise economic growth and lower the unemployment rate. Higher private investment, not more government purchases, is the surest way to increase prosperity.

They go on to point out:

When private investment is high, unemployment is low. In contrast, higher government spending is not associated with lower unemployment.

It is a piece I recommend to all of my colleagues because it establishes—and these are first-rate economists who have done the research and can demonstrate beyond peradventure the direct relationship between reduced government spending and more employment and growth. The bottom line is, if we leave more money in the private sector to be invested by businesses in the private sector, the more they will invest and hire people, and the more the economy will grow. Ironically, the more the economy grows, the more revenues the Federal Government gets because we have more taxes and a higher tax basis.

Private economic growth is good for families and businesses and people seeking jobs as well as for the Federal Government if we are looking for more revenue. The wrong answer is to spend more money in the government, 40-plus cents of which has to be borrowed. Every dollar we spend we have to borrow 40 cents of, half of which is borrowed from countries abroad. That borrowing and spending crowds out opportunities in the private market to do the same.

So there is a direct relationship in terms of how much we can reduce Federal spending on the one hand and how much we can grow the economy on the other. That is what these economists point out—the way for us both in the short term and the longer term to get a handle on both the Federal budget deficit and induce the private sector to invest more, thus reducing unemployment and increasing our economic growth.

I thank the Chair.

#### EXHIBIT 1

[From the Wall Street Journal, Apr. 4, 2011]

#### TIME FOR A BUDGET GAME-CHANGER

(By Gary S. Becker, George P. Shultz and John B. Taylor)

Wanted: A strategy for economic growth, full employment, and deficit reduction—all without inflation. Experience shows how to get there. Credible actions that reduce the rapid growth of federal spending and debt will raise economic growth and lower the unemployment rate. Higher private investment, not more government purchases, is the surest way to increase prosperity.

When private investment is high, unemployment is low. In 2006, investment—business fixed investment plus residential investment—as a share of GDP was high, at 17%, and unemployment was low, at 5%. By 2010 private investment as a share of GDP was down to 12%, and unemployment was up to

more than 9%. In the year 2000, investment as a share of GDP was 17% while unemployment averaged around 4%. This is a regular pattern.

In contrast, higher government spending is not associated with lower unemployment. For example, when government purchases of goods and services came down as a share of GDP in the 1990s, unemployment didn't rise. In fact it fell, and the higher level of government purchases as a share of GDP since 2000 has clearly not been associated with lower unemployment.

To the extent that government spending crowds out job-creating private investment, it can actually worsen unemployment. Indeed, extensive government efforts to stimulate the economy and reduce joblessness by spending more have failed to reduce joblessness.

Above all, the federal government needs a credible and transparent budget strategy. It's time for a game-changer—a budget action that will stop the recent discretionary spending binge before it gets entrenched in government agencies.

Second, we need to lay out a path for total federal government spending growth for next year and later years that will gradually bring spending into balance with the amount of tax revenues generated in later years by the current tax system. Assurance that the current tax system will remain in place—pending genuine reform in corporate and personal income taxes—will be an immediate stimulus.

All this must be accompanied by an accurate and simple explanation of how the strategy will increase economic growth, an explanation that will counteract scare stories and also allow people outside of government to start making plans, including business plans, to invest and hire. In this respect the budget strategy should be seen in the context of a larger pro-growth, pro-employment government reform strategy.

We can see such a sensible budget strategy starting to emerge. The first step of the strategy is largely being addressed by the House budget plan for 2011, or HR1. Though voted down in its entirety by the Senate, it is now being split up into “continuing” resolutions that add up to the same spending levels.

To see how HR1 works, note that discretionary appropriations other than for defense and homeland security were \$460.1 billion in 2010, a sharp 22% increase over the \$378.4 billion a mere three years ago. HR1 reverses this bulge by bringing these appropriations to \$394.5 billion, which is 4% higher than in 2008. Spending growth is greatly reduced under HR1, but it is still enough to cover inflation over those three years.

There is no reason why government agencies—from Treasury and Commerce to the Executive Office of the President—cannot get by with the same amount of funding they had in 2008 plus increases for inflation. Anything less than HR1 would not represent a credible first step. Changes in budget authority convert to government outlays slowly. According to the Congressional Budget Office, outlays will only be \$19 billion less in 2011 with HR1, meaning it would take spending to 24% of GDP in 2011 from 24.1% today.

If HR1 is the first step of the strategy, then the second step could come in the form of the budget resolution for 2012 also coming out of the House. We do not know what this will look like, but it is likely to entail a gradual reduction in spending as a share of GDP that would, in a reasonable number of years, lead to a balanced budget without tax rate increases.

To make the path credible, the budget resolution should include instructions to the appropriations subcommittees elaborating

changes in government programs that will make the spending goals a reality. These instructions must include a requirement for reforms of the Social Security and health-care systems.

Health-care reform is particularly difficult politically, although absolutely necessary to get long-term government spending under control. This is not the place to go into various ways to make the health-care delivery system cheaper and at the same time much more effective in promoting health. However, it is absolutely essential to make wholesale changes in ObamaCare, and many of its approaches to health reform.

The nearby chart shows an example of a path that brings total federal outlays relative to GDP back to the level of 2007—19.5%. One line shows outlays as a share of GDP under the CEO baseline released on March 18. The other shows the spending path starting with HR1 in 2011. With HR1 federal outlays grow at 2.7% per year from 2010 to 2021 in nominal terms, while nominal GDP is expected to grow by 4.6% per year.

Faster GDP growth will bring a balanced budget more quickly by increasing the growth of tax revenues. Critics will argue that such a budget plan will decrease economic growth and job creation. Some, such as economists at Goldman Sachs and Moody's, have already said that HR1 will lower economic growth by as much as 2% this quarter and the next and cost hundreds of thousands of jobs. But this is highly implausible given the small size of the change in outlays in 2011 under HR1, as shown in the chart. The change in spending is not abrupt, as they claim, but quite gradual.

Those who predict that a gradual and credible plan to lower spending growth will reduce job creation disregard the private investment benefits that come from reducing the threats of higher taxes, higher interest rates and a fiscal crisis. This is the same thinking used to claim that the stimulus package worked. These economic models failed in the 1970s, failed in 2008, and they are still failing.

Control of federal spending and a strategy for ending the deficit will provide assurance that tax rates will not rise—pending tax reform—and that uncontrolled deficits will not recur. This assurance must be the foundation of strategy for a healthy economy.

Mr. KYL. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. COATS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. COATS. Mr. President, my understanding is that we are in morning business and I have 10 minutes allocated to me. I may not take that much time.

#### 1099 REPEAL

Mr. COATS. Mr. President, I am here to essentially support the hard work of a colleague, Senator JOHANNIS, in bringing to the floor tomorrow a vote to repeal the 1099 provisions in the current health care bill.

As I campaigned throughout the State of Indiana over this past year, meeting with businesspeople and individuals running shops in a small town

and large businesses on the outskirts of busy manufacturing centers, several themes were repeated over and over and over. One was that we continue to have problems in creating jobs because of the massive amount of regulations that are flowing out of Washington that, at a time of fiscal downturn in particular, are keeping our businesses from going forward and hiring people, being competitive. We spend time in the back room with paperwork, filling out what seems to be unnecessary burdens imposed upon us by regulatory agencies.

Some of these regulations are necessary. We all know that for purposes of health and safety, there are regulations that are important in keeping companies' feet to the fire in terms of making sure their workplace is a safe and healthy place to work. These are important, and there are others. But clearly there is an excess. What I heard people saying all across the State of Indiana was that our government has grown too big, it spends too much money and it overregulates. In particular, when it comes to business, that overregulation and overtaxation is impeding our ability to compete on a worldwide basis to provide the kinds of jobs and services America is used to providing in such a successful way.

Tomorrow, this vote will deal with an aspect of the health care bill that was passed in the last Congress. Tucked away in that health care bill is a provision requiring every company, every church, every charity to submit a separate IRS 1099 form for taxes detailing and describing the goods they purchase in order to run their church, run their hospital, run their business, run their charity.

I have talked to hospitals—small and rural, big and large—across the State of Indiana, and they say: Do you realize how many separate items we purchase every year of over \$600? Do you understand how many hundreds, if not thousands, of prescription drugs we purchase in order to have them available here to perform our services in this hospital, how many band-aids, how many cotton patches, how many sophisticated drugs?

Hundreds of thousands of items are purchased by large companies every year, and each one of those now has to be calculated as to whether the purchase price was more than \$600 for the lot they buy, and it has to be detailed and then sent to Washington. There are not enough bureaucrats in Washington to begin to process the paperwork that would flood into this city. There are not enough buildings in this city to house those bureaucrats processing those forms. There are not enough warehouses in this city to store the forms that would flow in here. All for what reason? Because supposedly this is a way to collect more taxes on companies that have not submitted forms where they have actually purchased this particular material, even though they are required under the tax laws to

honestly—and I believe it is almost unanimous; maybe 99 percent of the time—do just that. So it is a solution without a problem.

Clearly, what Senator JOHANNIS has been attempting to do over the past several months and even in the last Congress is bring forward a bill that would repeal this onerous provision of the health care law.

The U.S. Chamber of Commerce said this about the 1099 reporting requirement:

At a time when they can least afford it, entities will have to institute new complex record-keeping, data collection and reporting requirements to track every purchase by vendor and payment method. This provision will dramatically increase accounting costs and could expose businesses to costly and unjustified audits by the IRS.

Even the IRS Information Reporting Program Advisory Committee has ruled against this, deeming this mandate "burdensome" with "no measurable purpose."

Forcing businesses to spend time in the back room to fill out all these forms and do all this record keeping—and particularly those small businesses that do not have the back room, where the owner and the proprietor of the business is the one who has to fill out these forms instead of being out there selling his services or running his business—they are particularly burdened by this unnecessary regulation.

Clearly, if we want to promote our businesses, help them hire more people, and get more people back to work, we have to release them from the burden of unnecessary regulation and, I would also add to that, taxation. So tomorrow, when this vote comes up, let's adopt the Johannis amendment to repeal this unnecessary and costly provision and send it to the White House for the President's signature.

While we are at it, let's also continue to take a look at the health care bill because if this provision somehow survived scrutiny before passage, there must be many more of these in there. Let me just mention one of them that directly impacts my State.

Medical device companies are a key industry in the State of Indiana. In fact, we are one of the leading States, if not the leading State in the country, for the number of people engaged in producing medical devices. That industry was slapped with a 2.3-percent sales tax on medical devices under the new health care law simply as a means to pay for the new health care law.

This is an innovative industry, an industry which is at the cutting edge of technology, one of our best exporting industries. They sell all over the world. We talk about the loss of American capacity to manufacture. We have a skilled workforce in place, with thousands of people employed throughout the State of Indiana, with several hundred companies producing medical devices. They have developed the innovation and the skill to be the best in the world. Yet, just out of the blue, be-

cause we are looking for a pay-for in the health care bill—that had nothing to do with their production of that product or their business—they were slapped with this \$20 billion impact tax, a 2.3-percent sales tax, which turns out to be about \$20 billion under the health care law.

I have given these statistics for just the one State of Indiana. I know Minnesota and a number of other States also are engaged in the medical device business. But singling out, though, the medical device manufacturers to help pay for the massive costs of the health care law, hinders job growth and stifles innovation. This is a resource-rich, research-rich industry in America that needs to be encouraged, not discouraged, that needs to have incentives to go forward, not disincentives, that does not need more regulation and higher taxes but needs to be viewed as producing a product that is the best in the world and what the world wants to buy.

So as we look at the health care bill, I am sure there are many provisions that need to be addressed. I, of course, am on record for repealing and starting over for reasons I have stated before and will not go into now. I think it is fatally flawed. I think starting over would give us a far more cost-effective, incremental improvement in ways to address our health care needs in this country without breaking the bank.

Nevertheless, if we cannot do that, we need to keep looking at situations such as what we are going to be addressing tomorrow, the 1099 repeal, and situations such as I have just described with the medical device tax.

Mr. President, with that, I will close by urging my colleagues to come and vote for the repeal of the 1099 provision that has been brought forward by Senator JOHANNIS.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. COATS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

#### NCAA TOURNAMENT

Mr. COATS. Mr. President, maybe this should have occurred to me before I last spoke and I should have addressed this. But since no one else is on the floor seeking to be recognized, it occurred to me that the Presiding Officer of the Senate represents the State of Connecticut, and I represent the State of Indiana. The two of us are the only ones on the floor of the Senate at this particular time. The Presiding Officer and I have an event that is very much going to draw our attention this evening; that is, the final game of the NCAA basketball tournament, Connecticut versus Butler.

I can extoll the virtues of Butler for a long time. I can also take some advantage of the Presiding Officer because he is in the chair and can't reply,