Senator Hatch: Thank you so much. It’s great to be with all of you, and I hope that it would be an interesting time that we would have together.

I have to say that there’s some evidence from the Mayan calendar that the end of the world comes on December 21st, but it is my understanding that the IRS is still moving ahead to collect more taxes. Then I suspect nothing is going to change that no matter what we do.

Well, I thank you for that kind introduction. I want to thank you for having me here today to discuss our nation’s tax predicament, something that seems to be on everybody’s mind these days.

Now, our nation faces a number of challenges, none more important than the need to fix our nation’s tax code, tame our unsustainable debt, and reduce spending. Our tax code is an impediment to economic growth, and its growing complexity is fundamentally unfair. Providing those who can navigate that complexity, neither of these developments is acceptable from a fiscal perspective or from the perspective of a healthy Republican government.

Of course we cannot have a serious discussion about tax reform without first addressing a couple of 800-pound gorillas that are in the room. The first gorilla can be summed up with a single number, $16.37 trillion that is the size of our federal debt and it’s completely unsustainable. As the ranking Republican on the senate finance committee, I am convinced that the agenda of the committee for that matter, the next Congress begins and ends with that ever increasing number.

How do we get it under control? How do we bring spending in line with revenues on an annual basis and in a manner consistent with our nation’s commitments to freedom, prosperity, and economic growth?

The attempt to answer these questions is the source of our current political stalemate. The American people have been offered two competing visions as to how we can get our fiscal house in order. The president and his Democratic friends suggest that we can do it on the reverse side or on the revenue side, specifically by taxing the wealthy.

I along with most of my Republican colleagues have concluded that it is impossible to achieve meaningful deficit and debt reduction by focusing on tax increases on the wealthy alone. There must be a significant reform, and I mean structural reform of the entitlement spending programs that are the long-term drivers of our debt and of course our deficits.
Let me repeat that. We cannot avoid debating or dealing with the entitlement spending. This spending is on cruise control, and it is the largest long-term driver of our fiscal imbalance.

The second gorilla in the room is the so-called fiscal cliff, which we are said to go over at the end of this year. If the president does not lead and so far I haven’t seen great leadership and we fail to resolve the latest fiscal crisis, the bipartisan tax relief of 2001 and 2003 will expire for all American taxpayers.

Now that means that virtually every American taxpayer, every family, and a host of small businesses will see their taxes go up. The average middle class family will see their taxes go up by more than $2000 a year and that is if we’re lucky. The average small business will see their taxes go up significantly. And nearly one million flow-through businesses or business owners, most of which are small business owners, will see their taxes go up by 17 percent. Even though most of the debate has been focused on the impact of marginal tax rates, there are other hits to the economy that will occur if we go over the so-called fiscal cliff.

The current state tax rates which have previously been supported on a bipartisan basis are also set to expire. That means if we go over the cliff, they will go from an exemption amount of $5 million and a tax rate of 35 percent to an astonishingly low exemption amount of $1 million and 55 percent tax rate.

Now, let me give you some friendly advice. If this transpires, I would seriously advise you against dying in 2013. The adverse economic impact of a spike in the death tax should not be understated. Recently, the Joint Committee on Taxation released an estimate on how many more taxable states, farming taxable states, and small business taxable states would be affected by the increase in the death tax over the next ten years. The numbers themselves are astonishing.

If the president does not help to resolve the current stalemate, we will see more than 15 times the number of taxable estates more than 13 times the number of small business taxable estates and a whopping 24 times the number of farming taxable estates.

Yet another untold story relating to the fiscal cliff story has to do with the alternative minimum tax. If the AMT is not patched, over 31 million families and individuals will have an AMT liability for 2012. Because Congress has been patching from year to year, less than 4 million taxpayers had an AMT liability in 2011. Remember, it was enacted to take care of between 152 and 155 millionaires who didn't pay any taxes that one year. Now, we're talking about 31 million people.

So as it stands now, there're an additional 27 million taxpayers minus the 4 that will have an AMT liability in 2012 if we go over the cliff. Almost none of those 27 million have paid any extra estimated income tax or had any additional wages withheld from their paychecks. So almost all of these 27 million people will when filing their 2012 income tax returns in early spring 2013 be caught by surprise to learn that they now have an AMT liability.

This AMT liability would come on top of the shock workers will experience upon receiving their first paycheck of 2013 when the income tax withholding rates will go up across the board. So I’m sorry to say that the fiscal cliff is not as bad as you’ve heard. It is worse. I wish
I was here to tell you that I have a silver bullet solution to the current political stalemate surrounding the fiscal cliff. Sadly, that’s not the case. All I can do is tell you where I stand as Congress works to prevent what should be the most preventable crisis in our nation’s history.

First and foremost, we cannot go over the cliff in spite of what Secretary Geithner said. Going over the fiscal cliff as some of my colleagues not to mention the Secretary of the Treasury appear to be willing to do just to gain an advantage in the negotiations would be in my opinion in the height of irresponsibility. And yet that’s a real possibility, maybe a probability.

According to the Congressional Budget Office, going over the cliff will reduce GDP growth to a negative 0.5 percent next year, throwing us back into a recession and causing unemployment to surge to 9.1 percent or more. And that’s not counting the unemployment rate, which is much higher than that as you know. Yet if Secretary Geithner is to be believed, the administration is willing to go over the cliff if it doesn’t get what the president campaigned on, an increase in marginal tax rates for the top 2 percent of earners.

No one should be surprised that this is what the president wants out of these negotiations. Like I said, it was the central tenet of his reelection campaign. And I suspect it’s one of the most important parts of his reelection campaign and probably did a lot to get him reelected.

But there is another tenet requested by the president during the campaign, specifically his desire to address our nation’s debt and deficits with a “balanced approach.” In fact, he even got specific. He said he wanted $1 of new revenues for every $2.50 in spending cuts. Well, he hasn’t caved on the revenue. In fact, he’s asked for more than ever than what he can pay at campaign donors.

Last on the post-election haze, however, was the president’s promise to push through reduced spending to go along with the increased revenue. The president’s commitment to a balanced approach of new tax revenue and spending reforms has morphed into new tax revenue and increased spending. And to cap it off, they have thrown in a fresh demand that would eliminate any limit on the federal debt, a limit by the way that the president thought was a useful budget disciplining tool while he was in the Senate.

So far, the only specific plan offered by the White House includes a request for $1.6 trillion in new taxes and minimal spending cuts or maybe even net spending increases. These proposals are lifted from the president’s budget, which received zero votes in either the house or the senate.

Now, it is hard to even know how to approach the president’s offer. It is so absurd. I don’t think he has one Democrat who will vote for it. Who starts out a political negotiation by recommending changes that even your own allies won’t accept? Then again I guess who’d make a bizarre enough claim you can come down easier, but I don’t see anybody coming down. I can tell you who, though, a person who has no interest in resolving the crisis and arriving at consensus. In other words, a person who is putting political gain over sound fiscal policy, a person who is eager for the country to careen off the cliff threatening the livelihood of millions of Americans so he can score political points. But this is shockingly cynical, and to be frank, it is behavior one expects from a local ward boss, not the president of the United States.
Now, the president is unfortunately not coming clean about how his demands have shifted over time. In other words, he basically pulled a baton switch on American voters over one month ago. Vote for me because I will raise taxes on the rich as part of a balanced solution to debt reduction that has become thanks for voting for me so I can raise taxes on farm more than the rich and in order to increase spending. His Math has shifted from the spending cuts to revenue ratio of 2.5 to 1, which once again was his position during the campaign to a 4 to 1 ratio going the other way at best.

Even those who support the president would have to conclude that the president’s opening offer isn’t about debt reduction; it’s about politics. We all know that. The president thinks he can bludgeon Republicans as an out-of-touch party of the rich because we release support tax relief for everybody. Why not? That’s the strategy they used during the campaign, and apparently, it was effective.

Some of you may actually agree with that characterization of the members of my party. But let me just say a few words in our defense. First off and I want to say this loud and clear, I could not care less about the financial wellbeing of our nation’s so-called rich. I along with most of my Republican colleagues continue to promote the seamless extension of current tax policy not to protect the rich, but because of the impact of increasing marginal rates on small business owners and the consequent impact on the job creation and economic growth.

Republicans support low marginal rates because we know that when you raise taxes, you hammer and also hamper the efforts of investors, small business owners, and most importantly, the American workers that they employ. Republicans are averse to rate hikes that will have detrimental impact on people’s livelihoods. We are averse to rate hikes that would undermine the prospects for fundamental tax reform that promote fairness and economic growth. And we are certainly averse to a discussion about increased revenues in the absence of serious talk about spending reforms.

The media’s favorite narrative is that Republican intransigence on tax increases is preventing the passage of a grand bargain to avoid the fiscal cliff. But that’s simply not the case. Many Republicans have stated openness to increase revenues, but only as part of a balanced deal and only if revenue increases or coupled with entitlement spending reforms and structural reforms at that.

Yet, the question though one seems to be asking is what is the president’s position on entitlement reform, and hopefully, structural entitlement reform. Thus far, they shows no willingness to compromise on entitlement spending even though that is the main driver of our nation’s debts and deficits. In fact, rather than offering new spending cuts, the White House has instead been taking more and more spending cuts off the table even some that they have supported in the past.

Last year during the debt ceiling negotiations, it was reported that the president was willing to consider raising the Medicare eligibility age in order to make the program more solvent. Today that idea is reportedly off the table. During those same negotiations, the president also expressed support for changing the way we calculate cost of living adjustments under social security. It was reported that he would consider moving to a chained consumer price index in order to reform social security and bring spending increases and tax rate changes
more in line with a better measure of inflation. Experts have estimated that doing so would save roughly $200 billion over ten years. Now, the idea is, according to the administration, off the table.

Earlier this year, the president submitted a budget for fiscal year of 2013 that included a plan to alter the various calculations used to determine the federal government share of spending under Medicaid. That plan would provide savings to the program to the tune of $100 billion. Just this week, the Department of Health and Human Services announced that that idea, the president’s own idea proposed in his own budget, is now off the table for present and future budget and deficit negotiations.

On top of that, you have Democrats in Congress, union leaders, and others demanding that entitlement reforms not be included in the fiscal cliff negotiations at all. Thus far, the story of the fiscal cliff hearing in the media is the battle over the top marginal tax rates. Not enough has been said or written about the president and his allies’ refusal to put real spending reforms on the table, let alone the apparently ongoing effort on the part of the administration to back away from any and all reforms they’ve supported in the past if that is what is keeping a so-called grand bargain from taking shape.

The reason why is simple. The president’s tax plan doesn’t even begin to solve our nation’s fiscal problems. You all know that. Every week, the president seems to cut back on spending restraints he has supported before, make new demands, and promote even more debt fueled spending. Talk about moving the goal post. Thanks to the president, the fiscal cliff football field is now 170 yards long.

According to the Joint Committee on Taxation, extending the current tax rates for everyone making less than $200,000 a year and letting them expire for everyone above that level will raise about $68 billion in additional revenues for next year using current policy baseline. Then if you back up the stimulus provisions that increase refundable credits such as the earned income credit that the president pushes for, the difference is only $54.5 billion. Then if you use current policy on the state tax, the difference in two positions is only $23 billion. If it’s some that suggest that we raise taxes only on millionaires that number is $43 billion for next year. At the same time, our deficit for next year is projected to be over $1 trillion for the fifth straight year.

So the president’s tax plan, the one he’s willing to go over the fiscal cliff to get past, would only reduce our deficit budgets to few percent. And keep in mind, the Hatch-McConnell bill said let’s put it over for a year the tax relief of one and three. Let’s put it over for a year and let’s dedicate that year to tax reform.

I don’t think we have the privilege of three years that it took to do the 1986 tax reform bill. I think the next one has got to be done in one year. And to do that, you got to put the right emphasis on and move from there. During the campaign, the president said that he wanted to reduce the deficit simply by asking the rich to pay a little more. Well if that’s the sum total of the commitment to deficit reduction, as you can see, our country is in real trouble.

It’s clear that any grand bargain that fails to include significant spending cuts is neither grand nor a bargain. Any fiscal cliff solution that relies entirely on revenues isn’t going to get the job done. There simply isn’t enough revenue to be generated by raising taxes on the so-called rich to even make a dent in our nation’s fiscal problems.
Like I said, many Republicans have agreed that in the interest of resolving the fiscal cliff, some revenues might be on the table. If that is what you want to do, the best way to do it is to raise average tax rates and not marginal tax rates. Higher marginal rates as economic theory and evidence make clear [inaudible 20:23] which ultimately harms American workers.

Instead of breathlessly reporting on each and every Republican who says that they will consider revenues in exchange for entitlement reform or in other words tax rates increases in exchange for entitlement reform, the question everyone should be asking is where is the president on spending cuts and entitlement reform itself.

Politics and parties aside, one thing is for certain. Whether we go over the fiscal cliff or whether the president gets his way on raising taxes or raising rates rather, taxes will go up significantly for small businesses. Some have and will continue to argue that raising taxes on the so-called rich is not a big deal, that those in that arbitrarily defined category can afford to see their taxes go up. I think most of the people in this room know that this type of thinking demonstrates an amazingly naïve understanding of tax rates and their impact on economic growth.

It assumes that all of the people hit by those higher tax rates are wealthy wage earners, CEOs, and financiers. It completely neglects the impact on small business income that will be subject to those individual rate hikes. Everyone including President Obama acknowledges that two-thirds of the new jobs in our economy are created by small businesses. And the vast majority of small businesses that are organized as flow-through business entity such as partnership, S corporations, limited liability companies, and sole proprietorships.

In other words, these small businesses pay the individual income tax rates. Because the vast majority of small businesses are flow-through business entities, the income from these businesses flows through the business directly onto the small business owners’ individual tax returns. Therefore, any increase in the individual’s tax rates means those small businesses get hit with a tax increase.

Now, this tax increase lands on these small business owners even if they do not take one penny out of their business and many of them don’t. They put it back in. They try and hire more people. They try to expand the business. Even if small businesses reinvests all of its income to hire more workers, pay the workers they already have, or purchase equipment, they would still get hit with this limiting tax hike.

The data suggests that the impact on this rate hikes either those from the president’s proposal or hikes that will result if we go over the fiscal cliff will be severe. First, according to the Congressional Budget Office, 80 percent of the revenue loss from extending the 2001 and 2003 tax relief provisions is found among those making less than $200,000 per year if single and $250,000 if married.

Second, the nonpartisan official scorekeeper for Congress on tax issues, the Joint Committee on Taxation, tells us that more than half of all flow-through business income will be subject to the president’s proposed tax hikes. Given the agreed upon importance of small businesses to our economic recovery, it is a mystery to me why anyone would
support tax increases on these job creators. Within our currently sluggish economy and the challenges already facing small business owners, we simply cannot afford to raise taxes on over half of all these business income.

It is also tragically ironic that a president who claims that he wants to bring manufacturing back in America is going to threaten with higher taxes when 70 percent of manufacturing firms who are organized as flow-through entities and subject their business income to the personal code.

I know that your focus today is on business tax reform. And some have argued that we need to address business tax and individual taxes separately. The president, for example, has submitted proposals for business tax reform. However, these numbers demonstrate why it is impossible to talk about tax—fixing taxes on businesses without also working to reform the individual income tax. The two really are inseparable in my opinion and I think the opinion of most people who look at it.

Because the income of flow-through entities is such a significant portion of all business income, I think it is important that tax reform be accomplished as part of one process rather than just an acting corporate tax reform followed by individual tax reform. All of the pieces of tax reform are intertwined and must be looked at as a whole or in the whole.

Now, many of you are probably wondering what is on the horizon for tax reform. Our income tax system enacted in 1913 and corporate tax system enacted in 1909 are now about 100 years old. Although they have been amended many times over the last 100 years, I believe and I think you'd agree it is time for a fresh start. It has been 26 years since the last overhaul of the U.S. Tax Code. And since then, the Code has only grown less fair, less efficient, and more complex.

Now, it is hard to get into specifics before the debate gets underway in earnest. But in general, I believe the plan should be to promote economic and job growth, fairness, simplicity, revenue neutrality, permanence, competitiveness and savings, and of course investments. Our tax system needs to achieve these goals not for the economy in 1909 and 1913 or even 1986, not for an economy on those years, but rather for the global economy of today and beyond. We need a tax code that helps to create a strong, robust, dynamic, and job-producing economy.

Now to get a little more specific, here are few of the principles that I believe should govern our tax reform efforts. First, I believe the first goal of our tax reform effort should be to improve efficiency and encourage economic growth and job creation. There will be a temptation to use this exercise to raise taxes. And while revenue gains may result from this process, making such gains the top priority will undermine the economic achievements we hope to gain through this process. We should resist the temptation to go that direction.

Second, tax reform should be focused primarily on lowering rates and broadening the base by eliminating special interest credits and deductions, otherwise known as tax expenditures. Now, I’m fully aware that this would be more than a difficult task politically speaking. Many of the largest expenditures also happen to be the most popular. But we need to make the case to the American people that they’d be better off with lower rates and fewer deductions.
Third, we need to move away from the past practice of temporary patches and extensions. Comprehensive tax reform should be permanent. Otherwise, we’ll go through the same difficult fights every couple of years. I’m not under any illusions that this is going to be easy. Tax reform is going to be extremely difficult. It won’t be done without hard work and compromise from both parties and most importantly without presidential leadership. And so to get our fiscal house in order to reform our tax code and also to fix our entitlement programs, we’re going to need to see a real test of President Obama’s leadership. You cannot do it without great presidential leadership. I believe the president has it in him to be a great president. But I know him personally. I personally like him. But I don’t see it so far, but I believe he can.

Really seize the moment really try to unite Democrats and Republicans on a joint effort to address the fiscal threats that are now among our largest challenges. Well, the next four years has been extension of the presidential campaign. So far, all I see is more presidential campaigning instead of eating in the White House, sitting down with the speaker and others, working through these problems day after day, and lending presidential leadership.

I can’t speak for the president. I can only speak for myself. If the president is serious about tackling these problems, I will be ready to work with him. President Obama and I may not agree on much, but no one, neither Republicans nor Democrats can deny the enormity of the challenges that our nation faces. We cannot just kick the can down the road on these issues, although I would for one more year if we dedicated that year to tax reform. And we’re worse off today than we were in 2010 when the president said we simply have to continue the tax relief of 2001 and 2003. This economy is too fragile. It’s more fragile today. Although some will try to say it isn’t.

I truly believe that some of these results if not all of them are achievable. But there are people in the senate on both sides that are ready to pursue comprehensive pro-growth tax reform. I believe this will be an opportunity for Congress and the president to show leadership and to work together to do something that will improve the lives of millions of Americans.

I want to thank you all for inviting me. I hope that that gives you at least my particular point of view. And I hope that it was interesting to you at all. Thanks so much. Glad to be here.

C. Fred Bergsten: Senator, I know your time is very tight this morning. Let us maybe ask you just one or two questions.

Senator Hatch: Sure.

C. Fred Bergsten: One of the topics we’re going to be discussing here today is the taxation of foreign income, which you did not mention.

Senator Hatch: I didn’t.

C. Fred Bergsten: Are you a supporter of moving to territorial taxation system or do you have any particular reforms in mind on that part of the taxation?

Senator Hatch: Look, just this morning in some of the reporting, it’s brought up that we have $1.6 or $1.7 trillion overseas. They’re not going to bring it back at 35 percent tax rate nor it’s a good tax
policy to repatriate them in 5 or 6 percent because you do it once; you got to keep doing it. It would be far better to move to a reasonably well put together bipartisan territorial system to resolve these problems. I’d like to do that.

Chairman Camp has done some preliminary work on that, and of course, we’ve done a little bit here in the United States senate. And I think there’s the will to do that. That would help a lot. If we have that $1.7 trillion back in this country, just this morning you probably noticed in the paper or was it yesterday? I can’t remember. I’m reading so much all the time. But Google, it’s terrible, a company that takes almost $100 billion offshore. They have every right to do that under our current code. And it’s probably smart for them to do it from time to time. We’ve got to make it so smarter for them to keep the money here.

And I think if we move to—no, no, no—moving to a territorial system would be a great step in the right direction. However, what system? We’re going to have to really have your advice and we’re going to have to have a very, very intelligent approach to this in order to solve that particular problem and to do it right. It’s not easy, but I know one thing. I think it’s absolutely absurd and indefensible that we don’t provide a means whereby these companies to bring the money back home. And if they do, it would create a lot more jobs.

Some say, I know this is a little bit more than you’ve asked, but some say that the movement to take away the local state and federal government’s obligation to deduct union dues from paychecks of their employees which kind of culminated yesterday in Michigan is not going to stop. And the reason it’s not going to stop is because of questions of freedom. You know I had 24. When I got in the senate, there were 20 right-to-work stations. Now, there are 24. And every day, governors are realizing they can’t keep doing this.

And look, the private sector unions are less than 7 percent of the union movement. The public sector unions are where it’s at and there’s no use kidding, public sector salaries are almost, well, in many cases double what the average private sector salary is. And people are starting to get bitter about that. And frankly that’s a problem that’s not going to go away. But why do Democrats not want to work with Republicans to resolve these problems?

Well, first of all collectively, all of the unions together raise about $14 billion a year and union dues, a high percentage of which is used to pay dues paid political operatives, by the way, the best in the business. There is just nobody better to get out the vote on the local state and federal levels. Let me tell you, it’s not just one year either and most of that’s unrecordable. Take four years, it’s $56 billion. Take eight years, it’s $112 billion. Go beyond that because it’s a consistent constant push by one segment of our society to make cost and benefits go up.

Now, I can’t blame them for that. We’re so stupid we allow it to continue. But I think you’re going to see more and more right to work approaches in the states in this country than ever before. And ultimately, we all know that—take the AMT. That hits the blue states on both coasts and cuts a hole. It hits them worst than all the other states.

Democrats cannot afford to allow the AMT to go without a patch. But if that’s so, why didn’t they do something this last year other than I pushed to get that tax expenditure bill through. I wanted to show our committee that we could do it. It’s no secret Max wasn’t sure we could do it and didn’t want to have a problem by not doing it, but we did. Now, I’m not totally happy with that bill, but the fact is we did it and we cut about 20 percent of tax expenditures out.
I’m going on too long on one question. But if you look at the ten top tax expenditures, every one of them has a good policy reason for existence. They’re not easy to get rid of. You know the top one is corporate provision of tax deductible healthcare. I mean do we really want to do away with that or how about 401K or how about—? There is going to be some modification as there already is to a degree of deductibility of home mortgage interest or take the ninth one, charitable deductions. You really don’t want to—you really want to do away with charitable deductions and modify them so that the wealthy are not giving to charities across the country? I mean these are really tough issues.

But that’s only 10. There are over 100. Some say many more than that tax expenditures that we can work with and that’s partly where Boehner and other speaker who I happened to admire greatly; he’s a solid good man that’s where they hope they can get the revenues without raising the rates, not just expenditures but in other areas as well. I have no doubt we could if we really got serious about it and we did it in a bipartisan way. And it will be a lot less damaging than what increasing tax rates will do to our economy. I’m sorry to go on and on, but I just couldn’t help myself.

C. Fred Bergsten: One question from the floor. The gentleman over here, please identify yourself. Fire away.

Patrick Temple-West: Hi, Senator. I’m Patrick Temple-West with Reuters News. It sounds like you’re saying in your speech is if you carve out small businesses, right? Define that and limit the tax increases for small businesses going up and rates can go up on wealthy individuals and that would provide a resolution to the fiscal cliff revenue question. Is that in line with what I’m hearing you say?

Senator Hatch: No, I don’t think we should be approaching it that way. I don’t think we should raise rates. We know if we raise rates, they’ll spend it. I’ve only been here 36 years, but I’ve never seen them not take the money and spend it and not cut back. And frankly if you look at what the president is offering, it’s all smoke and mirrors. And he’s not even offering smoke and mirrors that’s the thing that’s killing me. At least we could have some humor out of the smoke and mirrors that they usually come up with. But no, Republicans just don’t believe we should raise the rates.

Now, they’re talking about, well, maybe they’ll bring—maybe what they’ll do is raise the rates from 35 to 37 percent. Well, keep in mind, there are a number of other rates have been raised and ObamaCare takes the tax rate addition for medical device industry, much of which is a small industry, small individual partnerships and corporations and businesses. And it’s not just 2.3 percent. It’s not just tax on their net profits. It’s tax on their gross. I mean think about it. It’s a whopping tax and that was to try and make ObamaCare more palatable. And there are a number of other [inaudible 40:00] like that that literally is going to hurt the whole system if we keep doing it.

We would prefer to not give the people here in Washington tax rate increases because they’ll just spend the money. But we would like to find efficiencies and cost savings and other approaches within the budget itself and within the tax code itself that would raise the money that the president would like to have, but at the same time have some reasonable disposition of the debt.

You know if you look at this country and what we’re doing, it’s scary. It’s scary. The greatest country in the world and we’re starting to lose it. And again, I’ll go back to these problems
with the unions. I’m one of the few members of Congress who was raised in the union movement who learned the skilled trade. I worked in the building construction trade unions for ten years. I was a full-fledged member of the AFL-CIO. I went through a formal apprenticeship to become [inaudible 41:13]. The fact of the matter is- and that was a very skilled trade. I was proud of that. I still am proud of it.

But the real problem today isn’t particularly the private sector unions. It’s the public sector unions, and they’re eating us alive. When the average federal employee makes almost double what the average wage is in this country, you’ve got to say there may be a little bit of an imbalance here and maybe not so little. But these are the kinds of things that we’ve got to get a handle on or we’re going to have discombobulation in this country like you’ve never seen. Like one fellow said, out there in Michigan there’s going to be blood and you saw how violent it can get. And it was just yesterday one guy got punched a few times and broke a tooth. That should never happen, but it did.

But if you think that’s rough, I came from Pittsburgh where I was originally born and raised. I remember those days when the unions had to fight for their very existence. We’ve got to find some way of bringing this country together and getting everybody, at least the vast majority of people working together. And I don’t think it’s by increasing tax rates. And that’s why Speaker Boehner says we’re not going to increase tax rates.

And I guess I suppose because the president is insisting on an increase in tax rates because he ran on that- thinks that he was elected on that. However, I don’t know of one Democrat who is running who ran on increasing our taxes. I don’t know of one other than the president. And I have to admit, he did win on that issue among others. There are some others as well. And it was very difficult for Mitt Romney especially when you have one sized oversized media that really basically is in the pocket of the president, which nobody really can deny. The media doesn’t deny it. That’s what’s amazing to me. They don’t even try to deny it. They know it’s true.

So these are the kinds of things that we’ve got to find some way of getting over where we can work together and do what really has to be done. One of my favorite books is Showdown at Gucci Gulch. I think they haven’t read it yet. Really, it’s like reading a novel. And I know all the characters. I know them all. I really did. I know Danny, Danny Rostenkowski, Bob Packwood. I’ve always called Bob “Beelzebub” which means the devil in the Bible. And he always chuckles and laughs. He thinks that’s great so I call him Beelzebub when I see him. But they did a marvelous job when you stop and think about it, a marvelous job of bringing both sides of the hill together and coming up with a code that really made a difference. And all we’ve done in the ensuing years is continue to modify it until it’s now the big mess that it’s in. And we’ve got to find a way around that.

So I’m counting on the number of you in this room to be of more assistance to me than others. You’re letting me down because we, members of Congress, are naturally too dumb to be able to come up with all these ideas. So we got to count on you bright people. But don’t sell us too short. If you help us and you can start weighing in so that we come back to doing things in a bipartisan way, we just may be able to save this country from decades of messy economics. God bless you all.

C. Fred Bergsten: Senator, thank you very much, that’s terrific. Thank you.