

Statement of Ron Paul on H.R. 5140

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Rep. Ron Paul, M.D.

Madame Speaker, I find it odd that HR 5140, a bill allegedly designed to provide a stimulus for the anemic American economy, contains provisions that could damage the economy and hurt American taxpayers. Specifically, the provisions increasing the loan limitations of the Federal Housing Administration and the Government Sponsored Enterprises (e.g. Fannie Mae and Freddie Mac), will exacerbate the long-term problems in the housing market, and may even lead to a future taxpayer bailout of the housing industry. The recent bursting of the housing bubble should have taught my colleagues the dangers of government policies that distort the market by diverting resources to housing, when those resources would be more efficiently used in other sectors of the economy.

Ironically, many of the same members who insisted that upper income taxpayers be denied the tax rebates are enthusiastic champions of the provisions in HR 5140 increasing the FHA loan limit to \$633,500 and the GSE loan limit to \$729,750. This increase in the loan limits represents a generous taxpayer subsidy to high-income homeowners.

A one-time “rebate” check, while it may provide a temporary boost to many working American families struggling with the current downturn, is not going to provide the type of sustained income growth necessary to restore consumer confidence. In fact, history shows that when the government forgoes serious tax cuts in favor of one-time “rebates” most people either save the money for a “rainy day” or use it to pay down some of their debt.

In addition, I am concerned that the 50% bonus depreciation and the increase in the amount of

qualifying purchases that small businesses can expense in the year they bought their equipment will be of limited effectiveness because they are limited to one year. A more effective way to stimulate the economy would be to make the 2001 and 2003 tax cuts permanent. I also hope Congress considers the long-term tax cuts contained in HR 5109, the Economic Growth Act.

Congress should also pass my Tax Free Tips Act (HR 3664), which makes tips exempt from federal income and payroll taxes. Making tips tax-free will strengthen American families and the American economy by allowing millions of hard-working Americans to devote more resources to their children's, or their own, education, or to save for a home, retirement, or to start their own businesses.

Another disturbing feature of HR 5140 is that, instead of taking the fiscally responsible course and pairing the tax cuts with spending cuts, this bill simply adds to the national deficit. Madame Speaker, unless Congress acts soon to reign in its excessive spending the American people will face confiscatory tax rates or skyrocketing inflation.

Tax cuts by themselves will not restore long-term economic health unless and until this body finally addresses the fundamental cause of our economic instability, which is monetary policy. The inflationary policies of the Federal Reserve are the root of the boom-and-bust cycle that has plagued the American economy for almost 75 years. The Federal Reserve's inflationary policies are also at the root of the steady decline in the American people's standard of living. A good step toward monetary reform would be for Congress to pass my HR 2576, which repeals the federal tender laws. This would allow people to use alternatives to government-issued fiat money and thus protect themselves from Federal Reserve-created inflation.

One of the best things Congress could do for the American economy is to repeal, or at least reform, the misguided Sarbanes-Oxley law, particularly Section 404. Rushed through Congress in the wake of the Enron and WorldCom scandals in order to show that Congress was "getting tough" on corporate crime, Sarbanes-Oxley imposes unreasonable costs on small businesses and entrepreneurs.

A survey by Financial Executives International, an organization of chief financial officers, put the average cost of compliance with Sarbanes-Oxley at \$4.4 million, while the American Economics Association estimates Sarbanes-Oxley could cost American companies as much as \$35 billion. Because of these costs, many small businesses are delisting from United States stock

exchanges. According to a study by the prestigious Wharton Business School, the number of American companies delisting from public stock exchanges nearly tripled the year after Sarbanes-Oxley became law, thus these companies are finding it more costly to attract the necessary capital to grow their business and create jobs.

In conclusion, Madame Speaker, HR 5140 does not provide the kind of permanent, deep tax relief that will protect long-term economic growth, and will actually compound the damage Congress has already done to the housing market. Instead of pretending that we are addressing America's economic problems via temporary tax cuts, Congress should address the fundamental problems of the American economy by pursuing serious monetary reform, spending cuts, and regulatory reform. Congress should also provide real long-term tax relief to the American people by passing legislation such as HR 5109 and HR 3664.