U.S. REPRESENTATIVE · 4TH CONGRESSIONAL DISTRICT · OREGON

PETER DEFAZIO

SPECIAL REPORT ON THE ECONOMY

Congress of the United States
House of Representatives
February 2010

Dear Friend,

In January Wall Street handed out tens of billions of dollars in bonuses and proclaimed the recession over while millions of Americans lost their jobs or stood in long lines at employment offices. Something is very wrong with this picture!

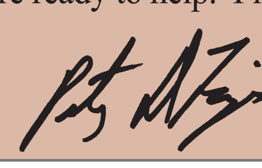
Beginning in the 1980's the mantra that deregulation is good and, more deregulation is better, drove federal policy on financial, trade, energy, and even consumer protection policy. Both Democrats and Republicans in Washington supported deregulation. The Clinton Administration and Republican led Congress dismantled critical regulations over banking, commodities, and other trading that had served our nation well since the Great Depression. These "reforms" ushered in an era of greed and speculative bubbles – Enron, WorldCom and the high tech crash to name a few.

Instead of acting to reinstate reasonable regulations to protect the public interest and greater economy, the Bush/Cheney Administration finished the job Clinton started by sweeping aside the last shreds of regulatory oversight. Alan Greenspan, head of the Federal Reserve, said that the markets would regulate themselves. The stage was set for the largest, most lucrative and dangerous bubble ever, which led to the fall 2008 financial meltdown.

The response to the financial collapse by the Bush Administration and the Democratic led Congress was targeted only toward Wall Street and let the Main Street economy fall into a deep recession. The TARP bailout and backdoor deals by the Treasury and Federal Reserve created a mountain of debt and guarantees by taxpayers to bailout the very firms who caused the collapse. **Little has been done to help Main Street – small business, the devastated housing sector, or to create new jobs.**

I worked against and voted against every deregulation, free trade agreement, and bailout that put us in this mess. But, that's not enough. **I'm working with like minded Members of Congress on programs to rebuild our real economy; putting America on a sustainable path to recovery with family-wage jobs. We also need to rein in Wall Street and other powerful special interests with reasonable regulations that protect the greater economy.** As I am writing this President Obama has indicated a major shift in this direction. **I will do all that I can to bring about the needed change in direction for our nation.**

As always, if you have a problem with a federal agency, my staff and I are ready to help. Please call 1-800-944-9603 for assistance.



Fighting for More Jobs

As we continue to grapple with the worst economic decline since the Great Depression and historically high unemployment, it is clear Congress must act quickly to create family-wage jobs in the private sector.

I voted against many actions taken by Congress to address economic recovery because I thought they were expensive and ineffective solutions. I vigorously opposed the Wall Street bailout because I predicted it would not benefit Main Street America. I also opposed the $787 billion stimulus bill because all of the money was borrowed, and almost half of the funds went to non-productive tax cuts (at the insistence of three Republican senators).

I can justify borrowing money for infrastructure investments to build projects that create jobs and will benefit future generations, but not for tax cuts. With the federal budget in a deep hole, borrowing $300 billion for tax cuts only made that hole deeper for our children and grandchildren. These tax cuts did not put people back to work or rebuild our crumbling bridges, highways, or schools. These tax cuts did not benefit anyone who is unemployed and did nothing to improve our long-term economic viability.

To add insult to injury, the tax cuts encouraged consumer spending on electronics made in China. The green energy tax credits also leaked overseas. Much of the $1.2 billion in green energy tax credits went to wind turbine manufactures, and half of those funds went to overseas manufacturers.

Congressman DeFazio in Portland with members of Oregon Ironworks at the opening of the first domestically manufactured streetcar in 70 years. DeFazio legislation helped create the project, which could generate hundreds of jobs in Oregon.

Jobs to Repair Our Aging Infrastructure

Infrastructure investment is a proven way to create family-wage jobs in America and to ensure our long-term economic viability. Every $1 billion of federal investment in infrastructure creates or sustains over 34,000 American jobs and $6.2 billion in economic activity. These federal dollars fund private sector jobs in construction, engineering, design, manufacturing, shipping, and have a huge trickle-down effect.

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The stimulus bill contained a modest amount of federal infrastructure investment. Yet, these limited funds quickly delivered private sector jobs and had an impressive spillover effect on the U.S. economy. Highway and transit investments accounted for approximately 4 percent of the $787 billion stimulus bill, but are responsible for 25 percent of the jobs created or saved by the stimulus bill.

Infrastructure investment is desperately needed for more than job creation. According to the American Society of Civil Engineers, it would take five years and $2.2 trillion just to bring our infrastructure into a state of good repair. The U.S. currently invests less than 1 percent of its Gross Domestic Product (GDP) in infrastructure. China, our largest economic competitor, invests the equivalent of 9 percent of its GDP. While our infrastructure is approaching third world status and becoming a serious drag on our economy, our competitors are investing in high speed rail and modern highway and transit systems.

As the Chairman of the Highways and Transit Subcommittee, I am pushing for additional federal infrastructure funding to create private sector jobs. I proposed to redirect the unused funds from the Wall Street bailout to Main Street, to create jobs without adding to the deficit.

To address our long-term economic recovery and crumbling infrastructure, I am working to pass a six year transportation authorization bill. This legislation would put millions of Americans to work on projects updating our decrepit transportation infrastructure. It will also facilitate long-term planning and state investment decisions knowing that six years of federal funding will be available. Federal funds would ensure a decade of jobs in Oregon and across the nation that cannot be exported to China or anywhere else.

A Level Playing Field for American Companies

The North America Free Trade Agreement (NAFTA) and a host of other failed trade policies have sent millions of blue collar jobs overseas, effectively gutting American industry. I voted against these deals. **Trade agreements should lead to a net creation of jobs here at home and to a lower trade deficit. If our trade agreements fail to achieve these goals, Congress should terminate them.**

Last year, I worked with a group of lawmakers to successfully block consideration of trade agreements negotiated by the Bush administration because they would cost American jobs. I have introduced legislation, H.R. 1875, that would establish a commission to recommend to Congress the best ways to reduce the trade deficit. My legislation also blocks the implementation of any future trade agreements until Congress begins to honestly address trade reform.

No matter how you feel about government spending on social programs or defense, most all can agree we should spend taxpayer dollars on goods and services produced in the U.S. I have long supported Buy America provisions that give priority to U.S goods and services. I included Buy America provisions in the Surface Transportation Authorization Act that I coauthored. This will ensure that electric street cars, which are gaining popularity in cities around the nation, will be built here at home. In fact, Oregon Iron Works is currently working on the first American-made street cars built in over 70 years. This industry will create family-wage jobs for Oregon workers and help revitalize the U.S. manufacturing industry. I will be working hard to pass this critical legislation in 2010.

Standing up for Timber-Dependent Communities and Rural Jobs

The economic recession, the collapse of the housing market, and record low timber prices have been particularly hard on Southwest Oregon, where unemployment is near 20 percent.

Inflexible federal regulations are making it even more difficult to protect the jobs and infrastructure that sustain many rural communities. Dozens of small, family-owned businesses holding timber contracts face the untenable decision of whether to default on contracts set to expire in the coming months or to harvest at great economic loss. Unlike Forest Service policies, antiquated BLM regulations do not allow timber contracts to be extended when market conditions are grim. Forcing contractors to harvest on BLM timberlands when timber prices are at historic lows is likely to push many small businesses to the economic brink, resulting in lost jobs and mill closures.

We cannot afford to permanently lose this economic infrastructure. I introduced H.R. 3759, bipartisan legislation providing short-term relief to small businesses, contractors, suppliers, and local communities until the timber market recovers. This legislation was passed unanimously by the House of Representatives in January, 2010.

I am also working in Congress to implement a responsible forest management plan. I opposed President Clinton's Northwest Forest Plan because I believed it would not deliver a predictable, sustainable supply of timber necessary to support timber-dependent communities, or provide adequate protections for the small amount of remaining old growth and vital ecosystems. My concerns were realized.

There is a better way. My alternative forest plan would direct our land management agencies to focus on reducing the backlog of second growth thinning and improve the health of drier forests, while protecting old growth. This would help provide a steady and reliable supply of timber while also restoring forest health. We have a lot of work to do on our public lands. **A responsible forest management plan will put Oregonians back to work, improve forest health, and provide economic certainty to timber dependent communities.**

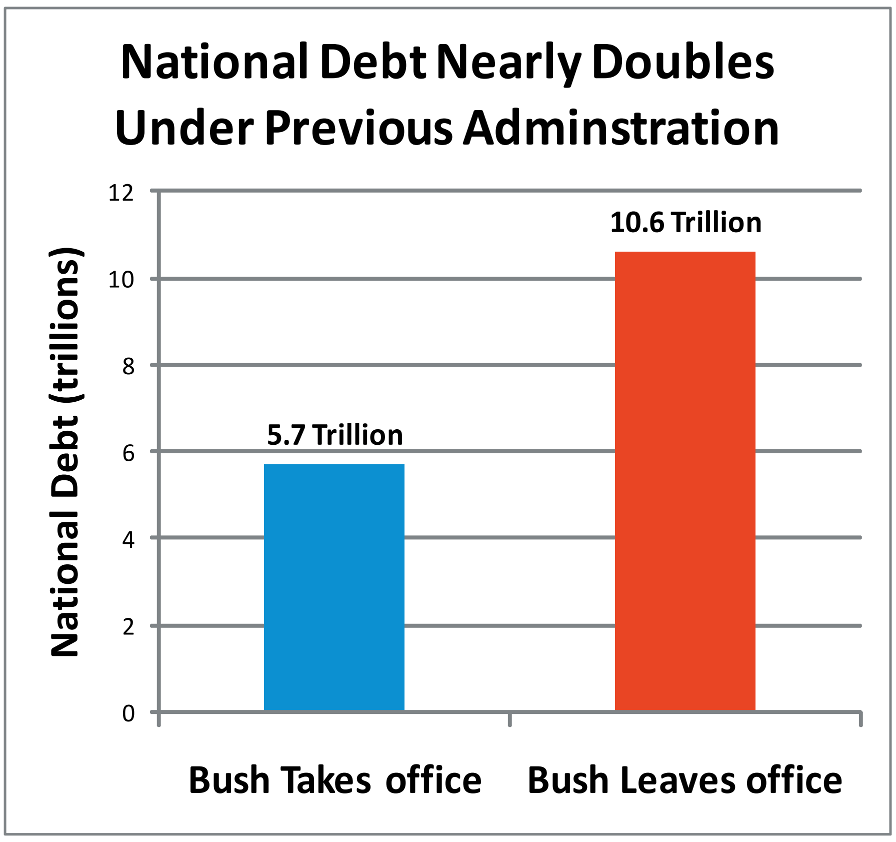
Fighting for Small Businesses

When the economy is healthy, 75% of new jobs are created by small businesses. When the economy is recovering from a recession, the more nimble small firms play an even greater role in job creation. Regrettably, the top 22 financial institutions receiving financial assistance from taxpayers have cut lending to small businesses by $11 billion since April 2009. The unwillingness of these financial institutions to provide credit to worthy businesses further threatens our economy and jobs and delays our economic recovery.

I have heard from too many businesses about the lack of credit. In response, I cosponsored H.R. 4426, the Wall Street Bonus Tax Act, which taxes Wall Street firms for any bonus in excess of $50,000. The bill would use revenue from undeserved bonuses to fund a new direct lending program within the Small Business Administration. This will quickly and effectively provide small businesses with access to the credit they need to survive, grow, and create jobs.

Another way to expand job creation is H.R. 4437, the HIRING Act. This legislation offers a tax credit for businesses that expand their non-management payroll. Businesses are rewarded for hiring new employees, increasing their hours, or in some cases increasing their pay.

A Responsible Federal Budget



The erosion of fiscal responsibility in Washington, DC is, simply put, a disaster. In eight short years, the Bush Administration almost doubled the total debt owed by the United States. When Vice President Cheney said "deficits don't matter," his careless words put us on the path of fiscal irresponsibility and dug a $12.3 trillion hole.

The 2001/2003 tax cuts for the wealthy, the Wall Street bailout, and the lost tax revenue from the recession have had a lasting effect on the deficit, all of which can be attributed to Bush era policies. I voted against these regressive policies.

This debt load is an unfair burden on our children, grandchildren and great-grandchildren. It also puts our country more and more in hock to foreign investors, which poses a threat to our financial stability and to our national security. Foreign investors currently own about $3.6 trillion of the total U.S. government debt. We owe China $790 billion; Japan $757 billion; and OPEC nations $188 billion.

While I am relieved President Obama is beginning to focus on the deficit, he is a little late. **I opposed the stimulus bill because it was not targeted and added to the unsustainable deficit. Congress needs to write a budget that allows us to pay down the debt.**

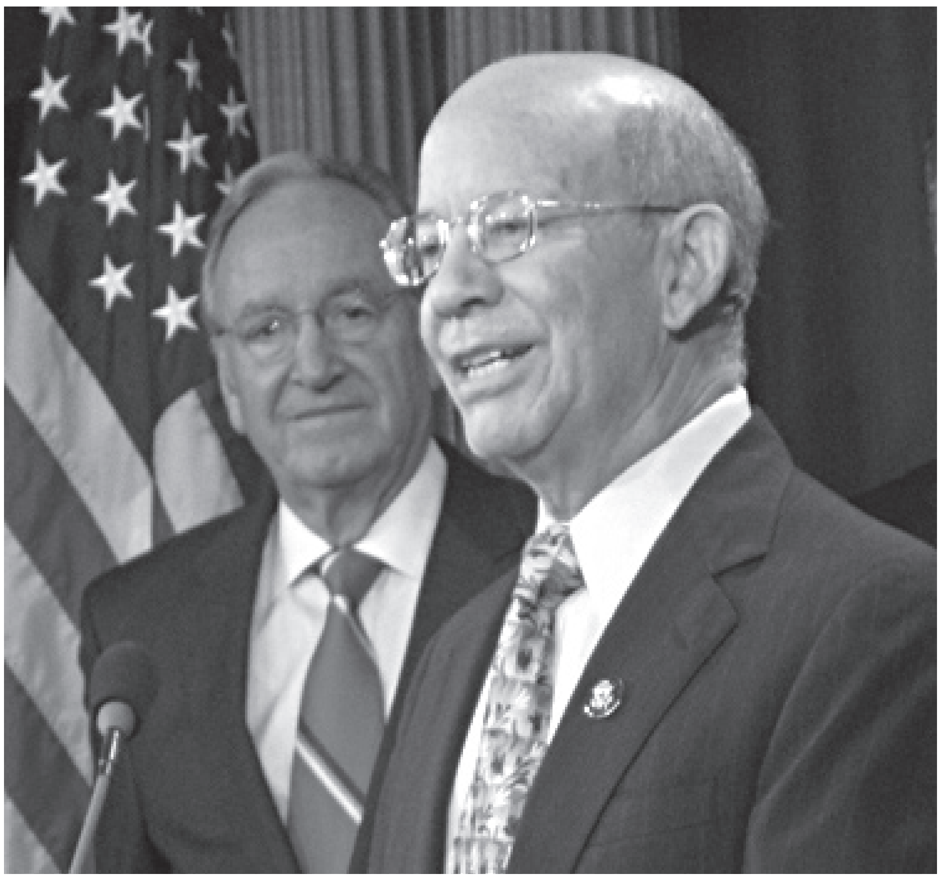
The first order of business is restoring the pay-as-you-go (PAYGO) law for the federal budget. PAYGO requires legislative changes that increase the deficit to be offset by spending cuts or revenue increases. During the 1990s, this law played an important role in bringing the federal budget deficit under control.

I also support a reduction in federal spending. There are wasteful, inefficient programs in every federal agency and Congress should identify and eliminate these programs. This holds true for the stimulus bill as well, which despite my opposition, contained too many programs unlikely to create a single job.

Restoring the U.S. Economy

The current recession has affected all but a few. I have fought to restrain Wall Street's worst excesses to prevent another recession, but many oppose strong reforms. Over the last 30 years, our economy has been bruised and battered again and again by speculators and corporate greed. For instance in 2007, the housing market began to crash, and was soon followed by the failure of the financial industry. In 2008 consumers and businesses suffered from price gouging and profiteering by big oil. Those events were preceded by the internet bubble that burst in 2000, the West coast electricity prices that were hijacked by deregulation in 2001, and the Enron and WorldCom corporate scandals.

This greed has done more harm to our economy than most realize. By several measures, our economy has been stagnant for a decade. The unemployment rate for both Oregon and the U.S. has doubled in the last ten years. The average wages for Oregonians are $2500 lower today than they were in 2000 (adjusted for inflation). If you are lucky enough to have some money tucked away for retirement, you did not see any gains from the stock market in the past 10 years. No single decade, except for the 1920s, has been as bad for the country.



Congressman DeFazio is joined by Senator Harkin in introducing H.R. 4191, the Let Wall Street Pay for the Restoration of Main Street Act. Harkin introduced similar legislation in the Senate.

Despite the bleak economy for working families, Wall Street still made record profits and paid record bonuses in the last decade. In 2001, Wall Street banks made $10 billion in profits and paid $13 billion in bonuses. In 2006, Wall Street banks made $21 billion in profits and paid $34 billion in bonuses. In 2009, after wrecking our economy, forcing millions of Americans out of their jobs and homes, and accepting billions in taxpayer bailouts, Wall Street is expected to exceed their 2006 record level of profits and bonuses.

In 2008, when the Wall Street executives asked for a bailout, I was one of the first Members of Congress to say no. I proudly voted against the $700 billion Wall Street bailout. The bailout was the wrong way to save our economy. To turn the economy around, federal legislation needs to deal with rampant speculation, short-term profit motives, and skyrocketing bonuses.

Recent proposals from the Obama Administration to tax bank liabilities and block banks from making speculative investments that do not benefit their customers are a good first step. Unfortunately, we lost a year of economic progress because the president was not well served by his financial advisors and their cozy relationship with Wall Street. Two months ago, I called on Treasury Secretary Geithner and Chairman Summers, a top White House economic advisor, to resign. I am convinced eliminating just these two federal jobs could result in economic policies that would foster the creation of one million new jobs for working Americans.

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To rein in Wall Street excess, I introduced H.R. 4191, the Let Wall Street Pay for the Restoration of Main Street Act of 2009. My bill levies a very small tax aimed at speculators on Wall Street financial transactions. This tax is designed to discourage risky high volume, short-term, non-productive trading. Before the last two decades of financial deregulations, investors focused on long-term investing. Today, day traders and hedge funds engage in several trillion transactions every day. A very small tax will apply some braking action to this burst of short-term speculation. In addition, the bill was carefully crafted to exempt most, if not all, middle class transactions, including all retirement funds, mutual funds, education accounts, and $100,000 in annual trading.

This tax has little or no impact on anyone but major players on Wall Street and day traders. It is only fair the speculators pay to rebuild Main Street. A similar tax existed from 1914 to 1966 and was doubled during the Great Depression. Despite the tax, the U.S. economy and the stock indexes grew at a record pace for decades. My legislation is fiscally responsible because half of the revenues generated would be redirected to investments that put people back to work, and the other half would be used to help pay down the federal deficit.

Last December, the House of Representatives passed H.R. 4173, The Wall Street Reform and Consumer Protection Act. I voted in favor of the bill because it makes strides toward reining in Wall Street excess and guaranteeing reasonable protection for consumers. While more needs to be done, the bill creates a Consumer Financial Protection Agency to help curb abusive and deceptive practices that are now all too common among mortgage lenders, credit card companies, and big banks.

Substantive financial reform must ensure that taxpayers are never again asked to rescue Wall Street from its own greed. I joined with my colleagues to offer an amendment that would have set a cap on bank liabilities, effectively ensuring that no institution be "too big to fail." Another amendment would require that banks be banks and not gamble with people's savings. These important amendments were defeated -- too many of my colleagues have already forgotten that an unbridled Wall Street was the major cause of the recession that continues to plague Main Street America.

We must change policies to promote productive investment which benefits working families, and the country's long-term economic security.

DeFazio on Healthcare Reform

Health insurance premiums have more than doubled in less than 10 years and are predicted to nearly double again by 2020. Good coverage is too expensive for many individuals and small businesses. Yet many of the changes proposed in Washington fail to make health care more affordable. We need a workable reform package focused on improving the affordability of and access to quality health care for all.

The worst insurance abuses need to be outlawed: No more pre-existing condition exclusions or denials; No more cancellations or non-renewals of your policy because you, or an employee at the small business where you work, becomes seriously ill; No more annual or lifetime caps and coverage exclusions hidden in the small print. These reforms would put an end to families losing their homes when they lose their job or get sick.

We also need to make the insurance industry play by the same rules as every other industry in America. The health insurance industry currently enjoys an exemption from federal antitrust laws. With this exemption, insurance companies can, and do, collude to drive up prices and exclude people from coverage. They decide amongst themselves what they will cover and what they won't, and how much they will pay. I heard from a wide array of viewpoints, from the single payer advocates to tea party activists, and lots of frustrated individuals at my 15 town halls last summer. One thing that got universal support was ending this exemption. If Congress did nothing else, the Consumer Federation of America says closing this loophole would save people billions of dollars in premiums.

We also need to fix the broken Medicare reimbursement formula. The current formula discriminates against Oregon and 16 other states and favors big East Coast cities. Many Oregon doctors and other providers refuse to take new Medicare patients because reimbursements are too low. Low reimbursement rates for Medicare patients mean the costs incurred by hospitals, doctors, and ambulance services for their care gets shifted to the insured. If this formula is fixed, not only will Oregon's seniors have better access to care but it will mean lower insurance rates for the rest of us.

Finally, we need to make prescription drugs more affordable. We need to eliminate the dreaded "donut-hole" created by the Bush Administration and the then Republican Congress. Medicare should also be able to negotiate for lower prices for seniors. The Veterans Administration negotiates prices and pays up to 80% less than Medicare for the identical, non-generic versions of most popular drugs. Americans should also be allowed to import cheaper drugs from Canada.

I do not support a government take-over of health care, and I will oppose any reform that adds to our deficit. But, we do need to rein in escalating health care costs and insure access to quality health care for all Oregonians. Congress should focus on these practical reforms.

My offices are here to serve you.

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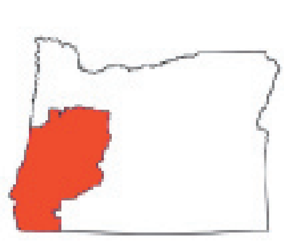

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