

iTownhall Transcript

May 31, 2012

[Senator Crapo] Welcome to all of our iTownhall meeting participants. I will try to be quick so we can get to the questions. What I want to talk about tonight is the issue that I continue to talk about across Idaho and across the nation, and that is our mounting national debt and the threat to our nation if we don't take very, very prompt and strong action to deal with it. I think most Idahoans know that I've been working very hard with a group that has become the "Gang of Six" – three Republican and three Democrat senators – to put together a comprehensive plan to solve our national debt crisis. We continue to work on this plan, which is over a \$4 trillion reduction in our debt posture over the next decade, which is really the minimum that we need to do. Our national debt is now \$15.7 trillion and if we reduce that by \$4 trillion over the next decade, we still will just barely be keeping our heads above water and giving our country the option to have alternatives to deal with our crisis. We've allowed ourselves, by the tax and spend philosophy that Congress follows, to get in very dangerous circumstances, but we still have time to get out of them without the kind of economic collapse that will come if we don't take action. And in that context, one of the biggest battles we have in the Senate right now is whether to even have a budget. The Senate majority has not even brought forward a budget to vote on for the last three years – we're going on 1,100 days without a budget, and many of us are pushing as hard as we can to force this issue on the floor of the Senate. We did actually get a vote on five budgets that we forced to the floor last week, but each one of them was voted down, and unfortunately we cannot get the majority to support moving forward with establishing a budget. I know these are difficult times, and kind of alarming statistics and facts, but the fact is our nation faces a real crisis and we must take strong and immediate action to deal with it. I hope to visit with all of you constituents here from Idaho about further aspects of this or the other issues which you'd like to hear about. With that, let's stop and get right to the questions.

[Susan.] Thank you Senator Crapo. For those of you who are just joining us, welcome and thanks for participating. I'm Senator Crapo's Chief of Staff, Susanheeler, your moderator for this evening. You're part of Senator Crapo's iTownhall meeting which will last about an hour. If you want to ask Senator Crapo a question, please press star-three to be placed in the question queue. You can do that at any time during the call, and you will be able to continue to listen to the call up to the point where one of our staff members talks to you, and then you'll be put back in so you can listen to the call again. You can press star-three at any time during the call and we'll try to get to as many questions as possible. Senator Crapo, I wanted to start with something though. Obviously the budget is something that we hear a lot about from Idahoans, and one of the questions that I've heard occasionally is that the federal government keeps operating, programs are still going, so why is it a big deal that the Senate has not passed a budget, because clearly Congress is continuing to fund things.

[Senator Crapo] Well you know, that's a question that is often asked. And in fact, members of the majority party are continuing to say 'we don't really need a budget, we can just keep passing our spending bills.' The reason we need a budget is the same reason that every household needs a budget and that every business has to develop a budget – it's because you have to be able to understand your

revenue and your spending pressures, and make the priority decisions that are necessary to help keep yourself from getting into the incredibly dangerous debt posture that we are now in. A budget in our procedures here in the Senate gives us opportunities to challenge excessive spending bills, and the lack of a budget creates the opportunity for literally uncontrolled spending by the appropriations process. We've simply got to get out of the spending philosophy. The last thing I'll say here is, we continue to face a philosophy here in Washington that we can get out of our crisis by spending through it – that the government can tax enough and spend enough, then it can create prosperity and economic activity. That is a failed economic philosophy. We're seeing the failure of that philosophy now jeopardize our nation, and a budget is what helps us to avoid that kind of unrestrained spending.

[Susan.] Well, we've got a number of questions that deal with the budget, so let's start with Ralph from Menam, you're on with Senator Crapo. Go ahead with your question.

[Ralph] Senator Crapo, do you support Paul Ryan's budget proposal?

[Senator Crapo] Yes, I very strongly support the Paul Ryan budget proposal. That is what has become known as the House budget, because he's the chairman of the House Budget Committee. And I mentioned earlier that we were able to force votes on five budgets last week – that was one of them. And I voted for it. I voted for it last week, and I voted for it last year when we pushed it forward for a vote. But again, the majority leadership rejects it. This budget would help us to move very far down the road toward controlling our spending habits and actually developing a pro-growth policy for our nation in reforming the entitlement system in a positive way, and reforming our tax code in a way that will help make America much more competitive. So I think it's a very, very powerful and good budget.

[Susan.] Well we're going to keep on the budget issue here. We're going to go to Bob in Moscow, you have a question for Senator Crapo. Go ahead.

[Speaker 4] Yes, Senator, I thank you for serving on the quote on "Gang of Six" but I'm still concerned about who's unwilling to pay their fair share of taxes. I'm an Eisenhower Republican and I'm certainly willing to pay my fair share, but I am concerned that people like Wells Fargo and General Electric are getting millions and millions of dollars of rebates and are not paying their taxes. Then also related to that, the Chief Financial Operator of Moody's has said that tax cuts for the wealthy only result in a 30 cent impact. In other words, for every dollar in tax cuts, there's only a 30 cent impact, whereas if we invest in infrastructure, it's like \$1.52. Now he testified under oath to Congress on that, so why would we support a tax cut that only has a 30 cent impact, when we could invest it in infrastructure that would have \$1.52 for every dollar we spend? Thank you for listening.

[Senator Crapo] Well first of all Bob, I'm not familiar with that testimony from the CFO of Moody's, but I will check it out. I don't know which category of income earners he's referring to. But I do know that the battle of this notion of who pays their fair share has – in my opinion – been vastly blown out of proportion. And here's what I mean: There are examples that can be found where corporations and sometimes very wealthy individuals are able to use tax loopholes and dramatically reduce their tax liability. But to be honest, we've been looking at that very aggressively and that is not a very large number of the tax payers. The average tax payer who makes more than a million dollars pays about 30

percent -- just a little under 30 percent -- of their income in taxes, which is exactly what President Obama said he thought that the tax level should be for them. And the amount of revenue that would be generated if we went out and put a minimum tax of 30 percent on those who make more than a million dollars would be somewhere in the neighborhood of I think \$40 billion over ten years. It's additional income, but it's not the kind of tax revenue that those who advocate it imply when they say they think we can balance our budget or solve our fiscal crisis when we're \$1.5 trillion over spending. In other words, we're borrowing \$1.5 trillion every year. To say we can solve our problem by adding that additional tax increment to those very few at the very top who are able to get around it doesn't solve the problem. Now again, I do believe for those who are evading taxes, we should avoid that. But the second part of the answer is this: the vast majority of those who are so-called wealthy that the president is talking about increasing the tax rates on are small businesses in this country that make something over \$250,000 a year in their business. And to put a tax on small businesses is putting a restraint on the very part of the engine in our economy that I believe we need to strengthen. I think most economists would say that today, now, in this kind of economic climate, it's the wrong time to be putting a tax on small businesses. And so, although the battle is sometimes framed by the president as trying to protect big corporations or the Warren Buffets of the world, the reality is that the true fight is over whether we should increase taxes on small businesses, and many of us say we just can't support that.

[Susan.] I want to remind folks who are listening that you can press star-three to be placed in the question queue. We're now going to go to Mark from Princeton -- you have a question for Senator Crapo. Go ahead.

[Mark] Yes, thank you. Senator Crapo, first I'd like to say how much we appreciate all you do for us here in Idaho. You do an insane job, I mean that. My question was that the Wall Street Journal is continually telling us about this European crisis over there in their economy. And if they have a collapse, how would that affect us in America, and what would you recommend us as Americans do to protect ourselves?

[Senator Crapo] Well I'll tell you, I wish I could give you the right investment advice, but I'm not going to take a shot at that. I will tell you that people should be very careful to pay attention to their investments as we address the rollout of the dynamics in Europe. I just finished with a meeting earlier today with the Federal Reserve Chairman Ben Bernanke who discussed this very issue, and the fact is, that with Greece so perilously close to leaving the Euro and so perilously close to essentially going bankrupt and with Germany refusing to continue to bank roll some of what it considers to be the irresponsible fiscal policy in Europe, and with Spain next on the list, as it starts to happen there, what will happen is you will see the collapse in the confidence of their bond markets, and the collapse of their banking system. And the question that then comes first, is how much of that banking capitalization is owned or debt, is owned by U.S. banks and U.S. interests. Fortunately at this point, there's not a high amount in Greece and some of the other nations that are so close to danger. But there is a potential of a huge ripple effect throughout the financial system in all of Europe, and a significant amount of that debt is held by United States banks and other interests, and that will be a huge hit to the United States if and when it happens. Now, will we weather it? I believe we will, but it will be a very serious time. You'll probably see the valuation of our stock market drop precipitously. You'll probably see consumption in the United States drop precipitously, which will then drive down productivity and profitability in many business sectors. And

ultimately what we could see is a concern about whether the United States will be able to continue to honor its debt. And if we get to the point where the bond markets do not believe that the United States can sustain its spending and honor its debt, then we could see interest rates go up, inflation go up, and actually would probably hit a period of deflation where the things that people really need the most – food, fuel, housing, commodities – will probably go up in cost. But the things we need in order to buy the food, fuel and clothing – wages, capital growth and investment growth – will go down. And we could actually see a circumstance where a very precipitous economic climate develops in the United States that's very dangerous. So although I can't tell you what a person should do to avoid this, I guess I can say they need to be paying very, very close attention, and looking to experts in financial investment to protect their own personal assets.

[Susan.] Well we still have a number of questions that deal with taxes, and so let's see, we'll take Dan from Orophino – you have a question for Senator Crapo regarding taxes. Go ahead.

[Dan] Oh, I'm on the air? Oh, well I hear you all talking about the reduction in taxes for the wealthy or business people. But what do you do to compel a business man to invest in America? There's no reason that they're going to invest in America, when they can go to Brazil or China, or off-shore Taiwan or Indonesia, and put their money there where there's more growth. There's nothing to compel a Republican businessman to put his money to create jobs. So why give him a break? What's the point?

[Senator Crapo] Well, first of all, I don't think that we should let – you are correct about the fact that right now we have a significant disincentive for investment of capital in the United States. We should not, however, let that cause us to simply say 'well, we'll just keep taxing our business structure out of business, basically.' But I think your question was, what can we do? We can't compel people to invest here and it's not a good investment climate. I think the answer for that is something that the Gang of Six and I have been working on for nearly two years. And that is, we need to reform the system in the United States. First of all, our internal revenue code is so anti-competitive to our own business interest that it does create the disincentive for capital formation here that you described. We need to reform that code, and we've got a strong proposal put together that we need to be acting on. Forty one of us sent a letter to our majority leader telling him we need to be acting on this kind of powerful, pro-growth tax reform soon. So far, he has not responded favorably. Secondly, we've got a regulatory climate that creates disincentives for economic activity and investment in the United States. And we have a litigation climate in the United States that creates many, many additional costs on those who want to invest their dollars in forming capital in the United States. And each of those needs to be addressed. So, although I agree with you on the fact that we have a lot of problems in the United States in encouraging investment here, I don't agree that that means that we should simply continue to raise the bar on taxes. In fact, one of the most powerful reforms that we could make would be to broaden the base and reduce the rates. And I believe that there's actually a growing consensus on both sides of the aisle here that somehow we need to achieve that result. Today, the United States corporate tax rate is the highest corporate tax rate in the world. So you're right, why would somebody want to come here and start a business? We need to focus on these kinds of things and once again, create the kind of economic climate where people will invest. And I would also say, if we would do that with the lower rates and the

broadened base, we will actually generate much greater economic activity and much greater tax revenue to deal with our fiscal crisis.

[Susan.] Well I guess we're going to stay with the budget theme here. We're going to go to Lloyd in Wilder, you have a question for Senator Crapo.

[Lloyd] Yes. Senator, are you for a balanced budget? If so, what would you have to cut out to get there?

[Senator Crapo] Well first of all, I very much am for a balanced budget. I've fought for one every year since I've been elected to Congress and I'm a co-sponsor of the Balanced Budget Amendment that we tried to bring to the floor earlier this year, but failed to get done. We didn't have the votes to bring it to the floor. The way I believe we should do it, is – again, I'll go back to what the Gang of Six has been working on – is to get ourselves on a pathway to controlling spending, and then reforming our tax code as I have just described and our regulatory code in ways that dramatically stimulate economic activity. There's two big pieces to this. One, huge overspending in Washington is a key, and we've got to deal with that. And two, creating a climate in which investment is disincentivized is a problem, and we've got to deal with that. Now in terms of what to cut, I personally believe that what we ought to do is to have across-the-board reductions. And frankly, we could probably get into the right pathway by simply having a freeze for two to four years, and then allowing the growth rate of our budget to be a percentage point or so below the point of the growth rate of the economy. And by doing that, we could make tremendous progress. Some people say across-the-board cuts are not the right way to do it, because some programs need to have greater priority than others and some programs need to be totally eliminated, and I agree with that. But what I think we should do is have an enforcement mechanism that creates an across-the-board control of all budgets, and then allow Congress within that set of budget targets to do some adjusting. If it wants to increase spending in one area a little bit, it's got to reduce spending in one area a little bit so that we maintain the across-the-board targets.

[Susan.] Well what happens a lot of times on these iTownhall conference calls is that we end up with a number of questions that deal with the same topic and some of them are looking for clarification or end up asking questions on something that you have already talked about. So what I'm going to do now is take two calls and both of them have to do with the Ryan budget. And so we're going to go to Linda from Lewiston and then to Doug from Twin Falls to let each of them ask a question regarding the Ryan budget. And then Senator, if you could deal with both of those at the same time. Go ahead Linda.

[Linda] Senator Crapo, part of my question does deal with the Ryan budget, and wondering how you can support that budget when it essentially balances the budget on the back of the middle class. You're gutting programs in order to give a huge tax break to the wealthy.

[Senator Crapo] And I'll wait to answer that until we get the next question.

[Susan.] Yeah. Now we'll go to Doug from Twin Falls. We'll let technology catch up here. Doug are you there? Go ahead ask your question.

[Doug] Thanks for taking my call. First I wanted applaud Senator Crapo for voting against TARP. I know that's been several years ago, but Congressman Simpson wasn't able to see through that, and you were and I applaud you for that. But the issues now, with the Ryan Budget, I don't fully understand his budget and so forth. I wanted a little clarification if I could from you. And I just wanted to know why we weren't talking a little more about where you are on the Senate Banking Committee. I believe some of these banks stepping in and doing a little more, it doesn't seem like – it seems like they basically held a gun to the head of the American people and the Treasury and so forth several years ago, and now they're given a pass. And it just seems to me like we should be talking a little more about why they're not doing more for the American people. Thanks.

[Senator Crapo] Thank you. Let me answer that banking question first and then I'll go back to the two questions on the Ryan budget. On the banking issue – you're right, as you know I voted against TARP and I voted against the bailouts. There is no company that's too big to fail, and the U.S. taxpayers should not have been put on the line for bailing out the irresponsible activity of the financial sector in the United States. We are taking a number of actions to try and deal with that. I disagree with some of them, as I did with TARP and with the bailouts, but I do agree with some of the others and we are reforming our derivative system. We have a much tighter regulatory system now, where these types of excesses are identified much earlier and I believe that we have actually put ourselves in a position where our banks are now capitalized better than most banks in the world. And although they are certainly not out of danger and not in a position where we can just turn our eyes another direction, we are in a circumstance where we're making progress and I appreciate your attention to that. With regard to the Ryan budget, I know that one of the big attacks against it is that it balances the budget on the back of the middle class and as the other caller said, it's accused of giving a tax cut for the wealthy in order to cause the middle class to take the burden of balancing the budget. I disagree very strongly with that characterization of it. As I said earlier, the tax rates that it is talking about creating – the tax system it's talking about creating – would actually reduce rates and broaden the base, but it would still result in the wealthiest half, in fact the wealthiest 10 percent, paying the largest share of all the taxes. And the progressivity of the code would probably even put their share higher than it is today. And the reason for that is because we would be able to develop a much more powerful and competitive economy. And again I'll say, I know a lot's been talked about in regard to the Buffet tax, or with circumstances where specific tax payers are identified who use loopholes to avoid taxes and I'm certainly in favor of fixing those loopholes. But for those who say that that's what the Ryan budget is all about, I just don't agree with their characterization. And in terms of it falling on the backs of the middle class, it actually reforms the entitlement system in a way that protects and preserves social security instead of letting it go off the cliff in a few years. And the same with Medicare, and does so in a way that it does not jeopardize the benefits of any senior citizen in the United States. And so I really believe that it's a very forward-looking budget. And we probably don't have time on this call to get into all the details of it, but it's a very I think positive budget that recognizes that spending has to be controlled and that the tax code has to be reformed.

[Susan.] Well we've got a couple of questions on the tax code and reforming the tax code, so I'm going to do the same thing. We're first going to go to Robert in Coeur d'Alene and then to Ron in Kamai. So if

you could both be prepared. Robert, we're going to go to you first. You want to ask your question to Senator Crapo regarding the tax code?

[Robert] Yes, Senator Crapo, thanks for taking my question. My question is in your attempts to broaden the base, how are you going to reform the tax code so that 50 percent of Americans pay no tax, and yet the upper 1 percent are viewed as the enemy of the people.

[Senator Crapo] OK, let's go to the next one and then we'll get back to that.

[Ron] . . . My concern is the wealthy has the money to pay a higher tax and if we all pay the same equal amount of tax, we will start to balance the budget, I realize that . . .

[Susan.] Ron? Can we get you to start your question again, the computer was a little bit slow in picking you up and so we just started in the middle of your question. So, if you could start from the beginning?

[Ron] OK. Thank you for taking my call. I disagree. I believe the wealthy does have the money to pay a higher tax. I do not believe that they are the ones that create all the jobs. It's everybody that creates jobs and creates income for America, so I believe that the wealthy does have the money to pay taxes.

[Senator Crapo] Alright, thank you. And with regards to that, one of the first question. Or the second question, I'll get to it first, with regard to whether the wealthy have the money to pay the taxes – they certainly do. Most people in America in recent polling think that the wealthy should pay somewhere in the neighborhood of 27 to 33 percent taxes – they think that's a fair share. And as I said, they pay 29 plus percent right now, of those who make more than a million dollars. And if we wanted to tinker with that a little bit, I don't think that there'd be much opposition on my part or on the part of most Republicans. But thinking that that's going to solve our national debt crisis is misunderstanding the amount of money that's available in that sector of our society. And that brings us to the first question that was asked, and that is how would you broaden the base, given the fact that 50 percent of people in the country right now who earn an income don't pay any taxes. Our tax code is highly progressive, where the first 50 percent from the lower brackets up don't pay any income taxes. And then when you get up into the higher income, they pay higher and higher and higher percentages dramatically. What I'm talking about in terms of broadening the base, is looking at all deductions, credits and exemptions, and then eliminating, or reducing or refining those in return for reducing the tax rates. And you'll find that when you do that, you actually do put a greater tax burden on those with greater income. Because those with greater income get greater benefit from these tax expenditures – these credits, exemptions and deductions. And so it actually achieves the objective of continuing to keep the tax code progressive, but doing so in a way that simplifies it makes us much more competitive globally and reduces the rates.

[Susan.] We're about halfway through and so why don't we change topics a little bit and get some other issues in here. Let's go to Philip in Idaho Falls, you have a question for Senator Crapo. Please go ahead.

[Phillip] Yes, this was for Philip? This is Phillip, thank you for taking my call. I have a concern. The Senate is tasked with the ratification of treaties, and they have the Law of the Sea Treaty coming up again. This treaty has been rejected pretty much every administration – and I say that loosely – since Carter's

administration. And from what I know of it, and what we've discussed, and I haven't read it myself, but it seems to take a great deal of authority from the United States regarding the navigable waters around the United States – I know it affects the whole world too – and places it in the hands of the UN. And this type of thing I'm kind of utterly opposed to, and I wanted to get your stance on it.

[Senator Crapo] Phillip, I am strongly opposed to it as well and have opposed it each time it has been proposed here in the United States Senate. This Law of the Sea Treaty establishes a legal regime governing activities on top of, over and under the world's oceans. It was actually signed by President Clinton and presented to the Senate for the first time in 1994. And so far, no Senate of the United States has ratified it, and I hope this one won't because just as you said it does relinquish our sovereignty to the Law of the Sea Treaty program, and basically allows a group of nations to make decisions about how we will manage our interests as a country. Now I don't disagree that the United States can and should properly enter into proper treaties with other nations, but to enter into one where you simply give the decision-making authority over issues of national sovereignty and national interest to a group of nations to make decisions for us on things dealing with our economic and technological interest in the sea, I believe goes too far.

[Susan.] We're going to stick on the treaty topic for a bit. Keith, in Cottonwood, you have a question for Senator Crapo regarding treaties. Go ahead.

[Keith] Yes. First of all, I'd like to thank you Senator Crapo for representing. You're doing a great job. My question was a lot along the same lines as the last question. Basically I would like to know how you feel about some of these treaties that have taken away from U.S. sovereignty and have moved toward more global governance. How do you feel about that?

[Senator Crapo] I very strongly disagree with that kind of treaty and have never supported it. Like I said, it's contemplated in the Constitution that the United States will enter into treaties with other nations. But I don't believe that our founding fathers ever contemplated that we would enter into a treaty where we would basically relinquish our sovereignty. And that's what is contemplated by a number of these treaties, whether it be the International Criminal Court that was put out, which would have allowed an international court to prosecute our military personnel for its perceived feelings about whether our military actions were proper, or whether it's this Law of the Sea Treaty which would allow a group of nations to decide what we could do as a nation with our sovereign interests relating to the ocean. If we got to the point where we were able to negotiate specific agreements with other nations that said 'this is how we will approach underwater exploration' or 'this is how we will approach the utilization of technology in or above the ocean,' and if we made a sovereign decision that that's how we would conduct ourselves, then that's one thing. But if we just give that decision to some tribunal made up of representatives of other nations, it's a completely inappropriate – and I believe unconstitutional – relinquishment of our sovereignty.

[Susan.] Well we appreciate folks sticking with us. We've got about 20 minutes or so before the end of the call. If you would like to enter the question queue, please press star-three on your keypad and you will be entered into the question queue. If we aren't able to get to your question, you are welcome to

stay on the line at the end of the call and leave the Senator a voicemail message. Now we're going to go to my hometown, Ben from Blackfoot you're on the air with Senator Crapo. Go ahead.

[Ben] Thank you. I was just wondering about the use of unmanned drones, specifically in the United States – locally and federally – federal police officers have been using them, and I think it makes an enemy out of the citizens of the United States. So I wanted to get your read on that.

[Senator Crapo] Well I think the answer to that depends on how they are used. I don't disagree with the utilization of drones for the purpose of conducting military or police operations that are otherwise properly within the scope of what our military or police should be allowed to do. But I agree with you that to simply utilize the powerful technology of the drones to simply spy on law-abiding citizens or to violate privacy would be inappropriate. And I realize that that's a hard line to specifically describe, but I believe we can do that, that we can put together a system whereby the proper utilization of drones, say, in a drug raid would be allowed, but the utilization of drones for just the indiscriminate collection of information about American citizens would be prohibited.

[Susan.] Now we're going to go to David in Rupert, and we're going to be back on federal spending issues. David, go ahead, you have a question for Senator Crapo.

[David] Yes, thank you. I appreciate your work, Senator Crapo, I appreciate it very much. Last week on TV Treasury Secretary Geithner, and I caught just part of the interview, but what he said – and I heard it directly from his own lips – was that one of the most widely-believed myths in Washington was that federal spending was damaging to the economy. He didn't qualify. He didn't talk about borrowed money, he didn't talk about programs – he just made that as a sweeping statement. I was wondering if you heard that and I don't even know how to even comprehend such a statement. So, did you hear that, and what do you think he meant by that?

[Senator Crapo] Well, I did not hear that specific comment. However, I have had personal conversations with him in which he has essentially said the same kind of thing. And he has advocated policies in this administration that show that he believes that we can literally spend our way through this. He has been one of the architects of President Obama's stimulus approach. You recall we had an \$800 billion stimulus package in the first January after his election, and we have been going at it every year aggressively since then – not I, but the Congress – with the support of the president trying to continue to just keep spending. And I think one of the biggest myths is that you can spend yourself into prosperity with borrowed money. I don't even agree with the economic philosophy that you can spend yourself into prosperity with money that's not borrowed. But clearly with borrowed money, I think there are very few economists in the world who would say that you can do that on a sustained basis. Now I will have to say a number of economists in the United states believe that you can borrow money and then spend it by pouring it into the economy, and that for a short term you can generate some economic activity that is helpful if there is an economic downturn. But there is always the back end of that and that in the long term that kind of spending with borrowed money always ends up putting us into the kind of debt modes that we're now in, with the kind of economic threat that we now face.

[Susan.] We're going to move on to another subject with Ryan from Parma. Go ahead Ryan you have a question about e-verify.

[Ryan] Hi Thanks for taking my call Senator Crapo. Basically I'm going back to June of 2011 when LeMar Smith and Chuck Grassway had proposed a mandatory e-verify bill for the entire US. And I was wondering basically if that would something that's possible because I've noticed a couple news stories where people have used false identities of murder victims or people that have you know passed away or been deceased, and basically being able to verify who they are because I'm a college student, and I'm basically going to be going out to the job market here in September and kind of interested in wondering what's going to go on in that and verifying who's status is what.

[Senator Crapo] That's a very big issue back here in Washington. And the short answer to your question is that we aren't there yet technologically, in my opinion, top where we can establish a system that protects the privacy interests and the security of the American people while at the same time giving our business interests the ability to know who it is that they are dealing with in employment. I personally think that in reforming our immigration system, we must at some point develop the ability to have a way to identify who is legally in the United States and who is not. And that we should be able to create what's called a safe harbor for employers, so that if the identification card or whatever other identification system is adopted is presented to them and they rely on it, then they are not held liable if it turns out that that is a fraudulent identification or a fraudulent card. So I do believe that we should try to move toward a system in which those who are not legal residents are able to be identified. But right now the business community and many others have very serious problems with the actual e-verify system, so we're trying to work through a way to either improve it or to adopt a different system that is effective.

[Susan.] Well we're coming down to the home stretch here, so we have about ten, fifteen minutes left. We're going to go to Marsha in Boise, you have a question about Social Security, go ahead.

[Marsha] Senator Crapo, I can't imagine talking to you personally. I'm 78-years-old, we have been the middle class. How come, would this flat tax perhaps allow us – because we are not paying taxes, we are very comfortable – and I'm wondering why we feel the upper class, this wealthy group that we talk about, should be paying taxes for us? Is there something in the flat tax that would cover that, that we could all be participating in helping our country out of this debt?

[Senator Crapo] Yes actually there is. There are a number of different flat tax proposals, there's not just one. So it sort of depends on whose flat tax idea you're talking about. However, almost all of them have the same basic structure. So let's say there was a 10 percent flat tax, that would mean that instead of 50 percent of the people who make income in the United States today paying no taxes, everybody would pay 10 percent. Then if you made more money, your 10 percent is a greater dollar amount and you pay more taxes. And I think there is a very broad support for that notion. However, that raises the specter that some of the people in the United States who are at the very lowest income category, who really are on hard times, and who really don't have the income to be able to pay 10 percent and still be able to buy their groceries, and get their fuel, and clothing and housing – it raises the question of what we do

there. And the way many flat tax proposals work is they give an exemption for the first \$30 or \$35 or \$40,000 worth of income. And then the tax applies to the income above that, so that it then becomes a progressive tax because everyone's say first \$35,000 is exempted but then everyone pays equal rates on everything they make above that. And that essentially creates a progressive system, but protects and creates a safety net for those who are most vulnerable in our society.

[Susan] So now we're going to go to John from Challis, you have a question regarding the Forest Lands Recreation Enhancement Act, go ahead.

[John] Hello Senator Crapo, thank you for taking my call, and I appreciate everything you do. I would like to know if you're familiar with the FLREA, and if you support or don't support the reenactment of it when it expires here next year.

[Senator Crapo] Is this the legislation that provides for the establishment of fees on public for the use of public lands?

[John] Exactly. So for example, here in Idaho, those funds are generated for people to use the Milfork and the Salmon River. And those monies are funneled back into the management of those areas.

[Senator Crapo] Well I think you may, I don't know where you stand on it, but you may disagree with me on this, but I have opposed that for this reason. I believe that we all pay taxes, or most of us pay taxes, which are supposed to be utilized to manage our public lands, and that to then add a user fee on top of it is another essentially tax structure. Now I recognize that it is a tax that is focused on those who use the resource, sort of like a gas tax for those who use the highways. And so I understand that, but the concern that I have, it then creates a circumstance in which the agency is then able to generate its own revenue, and essentially bypass Congress in terms of the budget controls that should be in place. It's a huge battle that we're having and like I say, I'm suspecting that you may not agree with my position on this, but in the past I've been an opponent of allowing for those new user fees to be put into place for access to our forests. But I do want to say this, though. If we're talking about those who are utilizing our forests for economic purposes, who have permits to then profitably utilize the access to the forest for their business or what have you, I think those kinds of user fees are proper and appropriate. If we're talking about user fees for facilities, like campgrounds or lavatory systems and things like that, I think user fees for use of those kinds of facilities are appropriate. What I'm talking about is just a user fee for the privilege of being able to drive into or walk into a forest and enjoy it and hike on the trails, that kind of a user fee I don't support.

[Susan] Well, I'm not sure if we're going to be able to get one or two more callers in here, but we're going to try for at least one more. Ted from Twin Falls, you have a question regarding energy, go ahead.

[Ted] Hello?

[Susan] Ted, go ahead.

[Ted] Yes, I was just wondering about energy production in the U.S. And I was listening to a ex CEO of Shell Oil Company and he said we could be energy independent within ten years if the government

would let us do what needs to be done, and I just don't see this happening in the U.S. right now. And if he says that it can be done, why isn't it being done, I guess that's what I wonder.

[Senator Crapo] Well it's an excellent question, Ted, and in reality, the United States is a very energy rich country. We have a tremendous amount of resources in petroleum and natural gas and coal. We used to have a strong nuclear industry, and we are now rebuilding our nuclear industry. We have hydropower and of course the wind and solar opportunities and other new kinds of opportunities that are tremendous if we will only develop them. But the battle is over the carbon-based resources—the petroleum, the coal, the natural gas, to a lesser extent. And there is a huge philosophical battle in the United States over whether we should allow the development and production of petroleum or related products, natural gas, or coal. And frankly, we have not had the votes in the United States Senate to do the things to set up the necessary programs to enable us to properly access those resources. And so as a result of that, we've seen the access of our nation to our own resources restricted, which then forces us to go overseas, and either from the Middle East, or from Canada, or from South America or elsewhere, purchase our petroleum. Often from nations that are not friendly to us. And frankly, I think we're all supportive of moving to a broader energy portfolio so that we're not as dependent on petroleum as we are today. But while we do that, we've got to recognize that we will for decades still need significant amounts of petroleum for our economy. And I believe we ought to start developing our own petroleum soon. I support legislation to do that, and am continuing to fight for it. But the short answer to your question is we don't have the votes because of the support, or opposition, from those who don't want to develop carbon-based resources.

[Susan] Well, I know we can get at least one more call in here, we're going to go to Amy from Shelley, you have a question regarding government regulation

[Amy] I just wanted to ask Senator Crapo if he feels that the government has ballooned to the point that it is stifling creativity and putting heavy burdens on small businesses through OSCHA and other regulatory agencies and what, if there is anything being done about it, and what can be done, to keep workplaces safe but not suffocate small businesses through rules but are sometimes hard for small businesses to comply with.

[Senator Crapo] Well, Amy, I think that you've hit the nail on the head. Earlier in the program I talked about the fact that we need to make America a place which is friendly for capital formation and business development and get people to want to invest here. And one of the things I've talked about is the tax code, but one of the other biggest burdens that creates some of the biggest hurdles toward economic development in the United States is our massive regulatory system that has far outgrown its intended purpose. We have rules and regulations now that are literally suffocating small and large business alike for very little benefit. And frankly, I have folks in my office from small businesses across Idaho all the time who share with me the stories that they have faced in dealing with these unrealistic and unworkable regulatory burdens. So we do definitely need to address that. It's one of the best things we can do to improve our economic strength in America. There are things that we can do. We have three or four major overhaul bills in the Senate right now that would create a system in which we go back in into and review our entire regulatory structure with the idea of winnowing it down, keeping the proper

protections in place, for the environment and health and safety and soundness of business, but taking out the unnecessary ones. We also have a proposal that I have pushed very hard for which would force our regulators to consider the economic impacts of the rules they adopt. Right now they are not even forced to consider what the economic impacts of what they are doing would be. And there are a number of other proposals like that that we have existing legislation introduced in the Senate to deal with, but we can't get the support from the majority in the Senate right now to move those to the Senate floor for consideration. The best I can tell you is this is a huge issue that you've identified, many of us understand it and agree with it, and we've got legislation introduced to deal with it, we just are going to keep fighting until we have the necessary support publicly and in the votes in the Senate to get it done.

[Susan] Well, I think we're going to take a record number of calls tonight. We're going to go to one more; this is from Marcus in Kuna. You have a question regarding the budget, go ahead.

[Marcus] Yes, hi Senator Crapo, thank you for taking my call.

[Senator Crapo] Sure

[Marcus] I really appreciated your work with the Gang of 6 and I consider myself to be more of an independent and I'm really concerned with this upcoming budget crisis. I'm really afraid of what happened last year happening again this year. And with Senator Lugar losing to his opponent, Mr. Murdock, I'm wondering how you're going to handle the new incoming Tea Party members and what you might to reach out across the aisle to the Democrats to try to avert another crisis that quite frankly brought us to the brink of, you know, financial disaster. I would really hate to see something like that happen again.

[Senator Crapo] First of all, I agree with your concern about the deficit and the budget and the brink that we got to last July and August. And your reference to the Gang of 6 is really a lead in to my answer. I think I've shown by the activities that I've engaged in the last year or two, that I am very willing and ready to build the consensus across all party lines, whether it be Republican and Democrat and Independent, or whether it be the Tea Party or other groups, and work with them to find the kinds of solutions that can move us forward and we definitely have to do that. I think your question was what if we get to another showdown over the debt ceiling expiration, which will happen again, sometime either late this year or early next year, and will we be facing another budget crisis at that time. I personally think that whether it's the Tea Party or whether its other very strong solid conservatives that have been elected to the Congress, or whether it's the Democrats or who have you, the Republicans or the Independents. I believe we have a growing understanding that we can no longer tolerate gridlock. The time for gridlock is over. And if we gridlock again and face another downgrade of the United States bonds, we will see economic collapse in the United States that far exceeds what most people in America are contemplating right now. So the danger is high, and I appreciate your recognizing how high it is. I just commit to you that I am going to continue to advocate for the solid conservative principles that I have always advocated for, and to do so in a way that will help build the consensus across all ideological and party lines to move forward with a solution. And I think the work with the Gang of 6 shows that we

have a potential to do that. And I'll just close with this, the Gang of 6 started out as six senators, three from each party. There's now almost 45 senators, almost equally balanced between the two parties, who are supportive in principle of what we are doing and ready to help us move forward. And over a hundred members of the House of Representatives who have come together to say, you know, we see the threat and danger and we're ready to help make something happen. And so although those aren't numbers that are sufficient to force legislation through yet, they are growing, and they are showing that we have an increasing opportunity to work together as a nation and build a solution that will help restore America's economic and military might, and make this the land of opportunity where the American Dream is real. And that's my commitment to work toward that.