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PA House of Representatives  
Republican Policy Committee

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414, Main Capitol Building  
Harrisburg, PA 17120  
(717) 260-6144

**Rep. Joshua D. Kail**  
Chairman

**PA House Republican Policy Committee Hearing**  
**“Relief is Possible: Combatting the Crisis of Cost”**

**October 4, 2024, at 10 a.m.**

**Great Lakes Automation Services, Inc.**  
**8835 Walmer Dr.**  
**McKean, PA 16426**

- 10:00 a.m. Welcome and Pledge of Allegiance
- 10:10 a.m. **Ken Fisher**  
*Owner, Great Lakes Automation Services, Inc.*
- 10:15 a.m. **Logan Therasse**  
*Realtor, Agresti Real Estate*
- 10:20 a.m. **Kurt Couchman**  
*Senior Policy Fellow, Fiscal Policy, Americans For Prosperity*
- 10:25 a.m. Questions for the Testifiers
- 10:55 a.m. Closing Comments



## Testifier Biographies

### PA House of Representatives Policy Committee Hearing *“Relief is Possible: Combatting the Crisis of Cost”*

#### **GREAT LAKES** AUTOMATION MACHINING

A service-disabled veteran-owned small business

#### **Ken Fisher**

**Owner, Great Lakes Automation Services, Inc.**

Ken Fisher, a military veteran, founded Great Lakes Automation Services Inc. in 2002 with co-owners Mark Fatica and Bryan Brooks.

Great Lakes Automation Services, Inc. is a service disabled, veteran owned, small business. They are a systems integrator that designs and builds automated assembly and test equipment. Our automated solutions include robot integration for assembly and material handling, rotary dial, both custom and AMi brand, linear systems and lean cells.

#### **Logan Therasse**

**Realtor, Agresti Real Estate**

Born and raised in Edinboro, Logan’s familiarity with Erie and the surrounding area, along with his experience in investment property and sales, serve him well in his role as a realtor with Agresti Real Estate.

Agresti Real Estate is a locally-owned brokerage with over 30 years of experience in the Erie real estate industry.



#### **Kurt Couchman**

**Senior Policy Fellow, Fiscal Policy, Americans For Prosperity**

Kurt Couchman is senior fellow in fiscal policy for Americans for Prosperity. He develops and supports innovative solutions to federal and state budget challenges while promoting fiscal outcomes that expand freedom, prosperity, and opportunity.

He has previously held positions with the Committee for a Responsible Federal Budget, Defense Priorities, several members of the U.S. House of Representatives, and the Cato Institute. He is the author of numerous legislative proposals—including two bipartisan balanced budget amendments—and opinion articles, as well as chapters in several edited volumes.

Couchman holds a master’s degree in economics from George Mason University and a bachelor’s degree in political science from Indiana University of Pennsylvania/Cook Honors College. He and his family reside in northern Virginia.

**Hearing on “Relief is Possible: Combatting the Crisis of Cost” on October 4, 2024**  
**Pennsylvania House of Representatives, Republican Policy Committee**  
**Testimony of Kurt Couchman, Senior Fellow in Fiscal Policy, Americans for Prosperity**

Chairman Kail, Representative Jake Banta, and members of the House Republican Policy committee:

Thank you for the opportunity to share views on the causes and consequences of inflation and America’s affordability crisis. I look forward to discussing federal and state strategies to unleash prosperity and to refocus governments on their proper roles.

Reckless spending in Washington, DC, caused the inflation surge. Inflation reached 41-year highs in 2022, and prices today are 20 percent higher than in January 2021. The average Pennsylvania household spends \$984 per month for the same goods and services, and their cumulative cost of inflation is about \$24,445.<sup>1</sup>

Inflation faded when one-party progressive control in DC ended because the federal borrowing binge slowed. Unfortunately, prices are permanently higher.

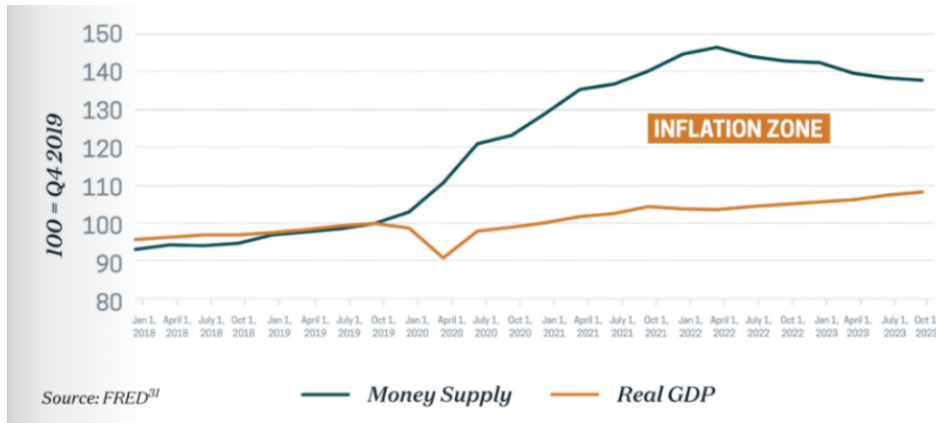
Let’s consider how federal politicians caused inflation. The 2008 financial crisis and the COVID-19 pandemic gave cover for Democratic members of Congress led by House Speaker Nancy Pelosi to push expansive, debt-financed legislation to advance an ambitious progressive agenda. Nearly all Democrats went along with it, as have some Republicans at times.

During COVID, the Federal Reserve bought most of the new debt, more than doubled its assets, and monetized the debt. Federal Reserve assets are the monetary base, which bank lending amplifies into the overall money supply. The gap between money supply growth and real economic growth (see Figure 1) drives inflation.

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<sup>1</sup> Joint Economic Committee Republicans, “State Inflation Tracker,” <https://www.jec.senate.gov/public/index.cfm/republicans/state-inflation-tracker>, accessed 9/30/24.

**Figure 1: Inflation is too much money chasing too few goods**



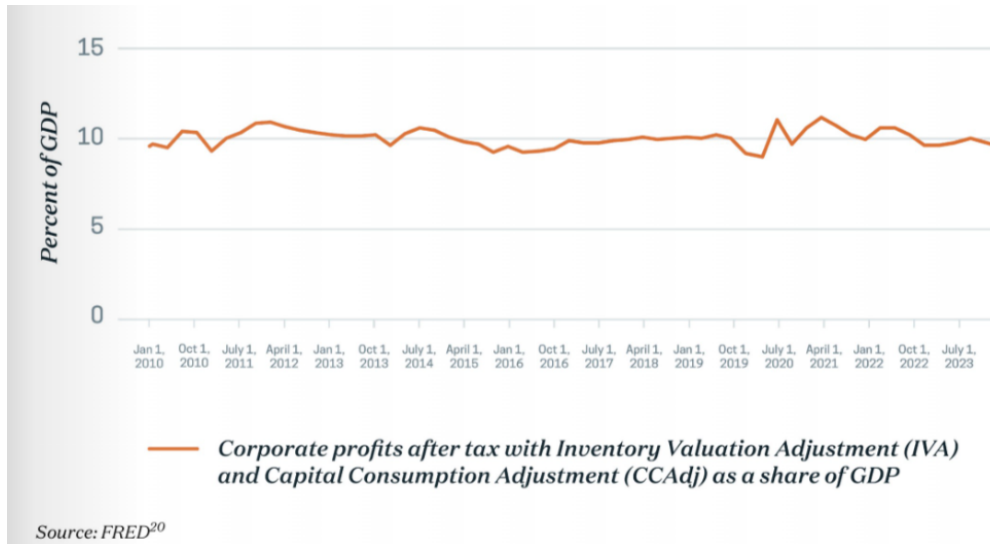
Regulatory burdens amplified fiscal and monetary mistakes. Pandemic lockdowns and an aggressive Biden-Harris Administration undermined economic growth and kept new supplies of goods and services from absorbing excessive money.

Disgracefully, some of the profligate politicians responsible for inflation want to mislead Americans into believing that corporate profits, “price gouging,” and “greedflation” are to blame. Pennsylvania’s own Senator Bob Casey is the high priest of deceit in this regard.

Corporate profits, properly measured, have been about 10 percent of the economy (see Figure 2). The federal flood of cash pushed them up a little during the pandemic, but they certainly did not cause inflation. I and a colleague explained Sen. Casey’s errors and the causes of inflation in a paper this summer.<sup>2</sup>

**Figure 2: Corporate profits have been stable as a share of GDP**

<sup>2</sup> Kurt Couchman and Ilana Blumsack, “Bidenflation Blame Game: How Big-Spending Politicians Scapegoat Business,” Americans for Prosperity, <https://americansforprosperity.org/featured/afp-report-shows-that-bidenomics-not-business-creates-inflation/>, June 27, 2024.



Bidenomics is on the ballot this fall. Even so, prices for many of life’s necessities were too high before this administration and before the pandemic.

Governments at all levels have enacted policies to subsidize demand and to restrict supply, which push up prices without necessarily increasing the supply of housing, health care, education, transportation, and more. These goods and services are often too expensive and often don’t match our individual needs as well as they could.

State legislators can do little to address inflation, but they can reduce subsidies and unnecessary red tape to bring down prices across the board. To do so, legislators must scrutinize government activities regularly.

Legislative budgets should include and be able to manage all spending and revenue, including tax expenditures. Yet the Pennsylvania General Assembly and Congress consider separate appropriations bills that collectively cover a minority of spending and no revenue.

In Congress, new bipartisan legislation would build a complete budget around the appropriations bills and engage all committees.<sup>3</sup> Pennsylvania’s General Assembly could do likewise, perhaps without a change in statute, simply by changing practices.

More legislators could participate in the process to drive better results across all activities. For instance, scaling back low-value activities to focus on doing core functions better could also make room for tax upgrades that improve Pennsylvania’s competitiveness and grow prosperity.<sup>4</sup>

<sup>3</sup> Kurt Couchman, “What is the Comprehensive Congressional Budget Act?” Americans for Prosperity, <https://americansforprosperity.org/blog/what-is-the-comprehensive-congressional-budget-act/>, September 5, 2024.

<sup>4</sup> Tax Foundation, “2023 State Business Tax Climate Index,” <https://statetaxindex.org/>, accessed 9/30/24.

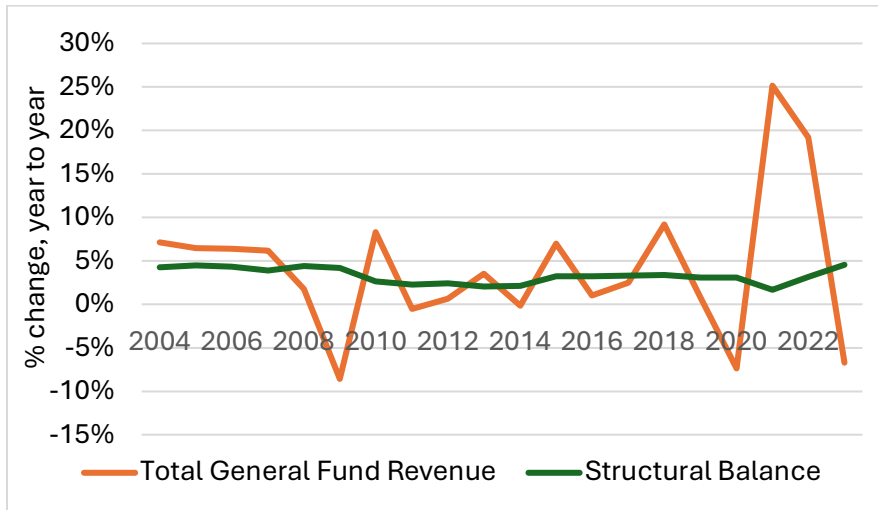
More and better jobs can help Pennsylvanians overcome the burden of inflation. Better budgeting can fix problems, boost compensation and working conditions, and unleash more flourishing. Growing the economy by removing unneeded barriers can soak up excess money and reduce inflation, although any single state's impact would be small.

Pennsylvania should also adopt rules to balance the budget over the medium term instead of every year (see Figure 3). Surpluses in good years would become reserves to fill gaps in bad years. Policies would be more stable and predictable, which would unleash more private sector investment and opportunity. Legislators could seek permanent improvements instead of cobbling together temporary patches for revenue swings.<sup>5</sup>

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<sup>5</sup> Kurt Couchman, "States Can Unleash Freedom and Reclaim Sovereignty With Structural Balance," Americans for Prosperity, <https://americansforprosperity.org/wp-content/uploads/2022/11/AFP-States-can-unleash-freedom-and-reclaim-sovereignty-with-structural-balance.pdf>, November 2022.

**Figure 3: Structural balance provides near-term stability**



Fiscally strong and independent states would deter congressional bailouts, which often carry federalism-eroding strings that last much longer than the money does. Legislation like the American Rescue Plan Act that triggered inflation might never have passed.

Several other states already do something similar, and it should have bipartisan support. Pennsylvania's Constitution appears to allow statutory structural balance rules.

Budgeting is central, but it isn't everything. Legislators should also divide up the regular review of laws in their committees' jurisdictions so they can seek out and reduce unmerited barriers.

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Excessive federal spending caused inflation. Ending the borrowing binge stabilized prices, but they are 20 percent higher than they were in January 2021. Some politicians have resorted to scapegoating others for the problems they caused.

State governments may be able to reduce inflation by growing their economies. They have greater scope to reduce high costs in housing, health care, education, and beyond by carefully reviewing and adjusting subsidies and regulations that drive up costs.

Legislators should embrace a comprehensive legislative budget and smart budget targets to empower them to drive better outcomes for those they represent. Greater fiscal independence by states would limit intrusions on their responsibilities and federal budget blowouts that may contribute to inflation.

Thank you for the opportunity to share these thoughts. I look forward to your questions and to working with you toward a brighter future for all Pennsylvanians and all Americans.