

Floor Statement
Senate Budget Committee Chairman Judd Gregg
Introduction of *Stop Over-Spending Act of 2006*
June 15, 2006
1:00 pm

Mr. **Gregg**: Mr. President, I wanted to rise to speak today to introduce a bill which is sponsored by myself and 19 other members of the Senate. And the purpose of this bill is to put some control over spending, or at least to put procedures in place which will allow us as a Congress to begin to control spending.

I think we all recognize that in the short-run, we're headed towards a budget that looks like it may actually move towards balance. We've seen some very significant positive gains here -- a deficit that was supposed to be \$425 billion this year is now down to about \$300 billion, and may well go below that. But that doesn't solve our problem. Even though we've gotten things moving in the right direction, in the out-years we face a fiscal crisis. And that's reflected in this chart here.

The fact is, facing this country is a situation where, because we have a generation known as the Baby Boom generation, which is such a large generation that it's basically overwhelmed the systems of America at each point in its evolution. It started out in the early 1950's and the late 1940's it was so big. As it moved forward to the 1960's, it created the Civil Rights movement. In the 1980's and 1990's it created the greatest prosperity in our country because of its size. Now that generation beginning to retire. It will start to retire in the year 2008 and it will be pretty much fully retired by the year 2020. It will be the largest retired generation in the history of our nation by a factor of two. There will be essentially 70 million people retiring during that period.

What are the implications of that? Well, the implications are rather severe for our nation's fiscal policy and especially for our children. Because all of our retirement systems in this nation -- Social Security, Medicare, Medicaid -- all are major safety nets built around the concept -- created by FDR. -- that there would always be many more people working than retired. In the early 1960's there were twelve people paying into the Social Security system for every one person taking out of Social Security. Today there are three and a half people working for every one person who is retired. By the year 2020 or 2025, there are only going to be two people working for every one person taking out of the system. That means that this pyramid concept becomes a rectangle and our children and grandchildren who will then be the working people in America will not be able to support the benefit structure which is in place for the retired.

And this chart reflects the dramatic effect of this situation rather starkly. The blue line represents what percent of Gross Domestic Product the federal government usually spends. Historically since World War II, the federal government has spent about 20% of the Gross Domestic Product. The red line represents three programs in the federal process, Social Security, Medicare and Medicaid. And you'll see from this line that the red line grows dramatically beginning in the year 2008 and proceeds at an exponential

rate of growth so that by the year 2025 or 2028, those three programs alone will actually cost more than 20% of the Gross Domestic Product of America.

What does that mean? Well, it means that if we were to spend the historic amount we have spent on federal government, those three programs would use up all that money and there would be no money for education, laying out roads, health care for anybody else other than those who are retired, anything else the federal government was supposed to do. Everything would have to be spent on Social Security, Medicare and Medicaid. It doesn't stop there. It continues up in a rather dramatic movement. The point here, of course, is that our children who will have to pay the cost of this will find themselves with a dramatic increase in tax burden unless we address the cost of those programs from the spending side.

The point also is that you really can't tax your way out of this problem. You cannot possibly raise taxes high enough to keep up with the cost of these programs and still have a viable country. If you did that, you would eliminate the ability of our children to buy a new home, to send their kids to college, to even buy cars. The lifestyle of Americans, our children and our grandchildren, would be dramatically reduced, their quality of life, were we to raise taxes to try to keep up with rate of growth of spending. And, again, it is not a revenue problem, it is a spending problem. I think that's important to stress. In fact, if you look at the revenues over the last few years, this reinforces this point.

Revenues dropped precipitously at the beginning of this President's term for two reasons. One, we had the largest bubble in the history of world, the Internet Bubble back in the late 1990's, where we were essentially producing false income, paper returns, through the issuance of stock which wasn't backed up by productive companies. And this bubble burst. It was the biggest bubble in history. It was bigger than the Tulip Bubble, bigger than the South Seas Bubble. The effect of it was to cause our economy to retrench. Then we had the attack of 9/11, which dramatically impacted our psyche as a nation, obviously had a horrific effect in the area of cost of lives, but had an equally dramatic effect on our economy. Those two back-to-back events basically forced a significant drop in revenues.

So President Bush came in and said, "Let's try to get out of this recession," (and it was a shallow recession that would have been a lot deeper) by cutting taxes and giving people incentive to be more productive. We heard a lot from people on the other side of the aisle about how it's terrible we cut taxes. But what that did, what those tax cuts did was create an atmosphere where people who wanted to go out and be entrepreneurial, who wanted to take risk, who were willing to put their dollars behind in an effort to be productive and thus create jobs did that. The economy started to recovery. We've had 39 straight months of recovery. We've had one of largest expansions in the post-World War II period.

The practical effect is that we've created more economic activity, created more jobs and created more revenue to the federal government. So that in the last two years, the revenue of the federal government has jumped greater than at any time in the post-World War II period and each of these last two years have had historic increases in the federal government. We're at a point where revenues are essentially at the same place they would

be over history as a percent of Gross Domestic Product. We're essentially generating the same amount of revenue that we have always generated to the federal government.

The other side of the aisle said "Let's raise taxes some more." Well, that's not going to help because we're already generating as much revenue as we did. We're doing it the right way with a fair tax system that says to entrepreneurs: go out, create jobs. And we've created revenues for the federal government. The real issue here, as this chart shows undeniably, is that you've got to be willing to address spending. A group of us on our side of the aisle said, how should you do this? Probably the best way is to put in place a series of processes here in the Senate and in the House which basically force the Congress to address the public policy issues of reducing the rate of growth and spending in the federal government.

This is difficult for an elective body. We know there's a natural tendency of an elected body to want to spend more money. People come to you and say we need this for that and this for that and usually their stories are compelling. But the fact is we can't afford to spend all the money people want to spend and we need to have some mechanisms around here which energize an atmosphere that promotes delivering government that is efficient and effective, delivering government that people get what they expect and get their dollars being used efficiently and effectively to produce a government that works.

So we're suggesting a program that basically renews and redesigns. It reforms. It rebuilds the federal system relative to how we're going to spend money and make sure that we spend it effectively so that we give people an affordable government, something that delivers the type of services they need but does it in a way that can be afforded. Our goal is to contain spending so that we are able to deliver quality government and still pass on to our children a government that is affordable. A tax burden that they can afford and won't overwhelm them and will give them an opportunity to have a good a life as we've had. The proposal we've come up with has a variety of different elements to accomplish this.

First, we follow the ideas put forward by the President. It has eight basic elements to it. It's a very extensive reform package, renewal package, redesign package, rebuilding package. The first element is what we call, or I call, fast-track rescission. I suppose that's too technical a term. The President calls it line-item veto. It says the President has the opportunity to look at bills which we pass here in the Congress and say, listen, we don't need to spend money on that item. That's an item of earmark. You might qualify it as pork. It's simply not what we need. It's not what the American people have to have their dollars spent on. He puts together a package and sends them up to us and says, these are the items I don't think the American people need. We don't think the government can afford them. You in Congress take another look and vote them up or down. Fast track rescission. We have to take the vote. It's an opportunity for the Executive Branch to have a say and for the Legislative Branch to take a second look. We've done it in a way so that neither branch is prejudiced with respect toward its Constitutional role. Which is very important.

Now we've looked at statutory caps. Essentially we say every year how much the federal government is going to spend. And then we lock it down so that if we spend over that amount we have to go back and cut somewhere else to bring us back to that number. What has happened is we've said we're going to spend X dollars. That's called a cap. But we haven't had any enforcement mechanisms behind the cap. Those lapsed in 2002. So whenever we exceed the cap you get 60 votes and people say, fine, we'll spend the money anyway even though we said we weren't going to spend that money. It gets ignored. This puts in a place where we have to be responsible as to the number that we put out. It is truth in government and forces government to be responsible.

The third item we put in will reduce the deficit so that it will move to zero by 2012. Statistical zero. This is done by saying, listen, the deficit today is X percent of the Gross Domestic Product. We're going to say that the deficit should be dropped as a percent of Gross Domestic Product every year until we get to 2012, where we expect it to be basically no deficit. If we exceed those numbers, in other words, if the deficit exceeds that percent of Gross Domestic Product, which we set out in the bill. And these numbers are historic call numbers and obtainable numbers. In the first two years the number that we set out is basically above where the actual deficit looks like it's going to hit. It's about the third and fourth year that we may have some issues to keep the deficit moving down. But if the deficit isn't moving down, then we put in place a process called reconciliation directed at entitlement spending. The problem we have as a federal government isn't the discretionary side of ledger. That's spending that occurs every year. Every year you have to spend X dollars on defense, X dollars on education. You can make a choice of how much you'll spend here and how much you'll spend here. That has been flat for the last few years essentially, essentially flat if you factor inflation. The real growth of the federal government has been in these accounts that are entitlement accounts, mandatory accounts which I had on the first chart, three of the major ones. They represent with the federal debt 60% of federal spending. What this bill says essentially is you've got to go back and take a look at those accounts if we're not meeting our deficit targets and bring them into line so that we will meet those deficit targets.

In order to help accomplish this, this proposal also includes an entitlements commission. There have been a lot of commissions around here. Everybody is tired of commissions. But this commission is different. This commission says take a look at the entitlement accounts of federal government. Report back to the Congress and then Congress must act on your proposal. So we actually put in place a policy procedure to try to correct the entitlement issue.

And then we put in place a budgeting procedure which allows us to legislate changes if the entitlement procedures aren't accomplishing our goals. The purpose here is to make these entitlement programs affordable to our children while they still maintain a quality lifestyle for those who are retired. That can be and should be able to be accomplished but it takes a Congress being willing to step up to the plate and do it. So far we haven't been willing to do that. We've been burying our head in the sand on that issue.

People being appointed to the commission, the same way the BRAC Commission was set up relative to the Defense Department, we would be able to take a look at the functions of government which maybe should be eliminate order reduced or significantly changed. It's a good proposal. It's also a proposal that includes biennial budgeting, an idea strongly supported by the Senator from Alabama who is managing the bill on the floor right now and the Senator from New Mexico, so that we can have a budget process where we're not always looking at the budget every year and everybody is spinning their wheels around the budget, but rather have a year where we develop the budget and a year where we do a lot more oversight.

That's the theory behind that, so that we can become more efficient of the finally there's the reconciliation process. This is the teeth under which we accomplish savings around here, but it can also unfortunately be used for expanding spending, if it's not handled properly, and so this -- these reforms make it clear that reconciliation is primarily for the purposes of controlling spending, not of expanding spending.

So the goal is simple. The goal is to put in place a package which will allow us as a Congress to step up and address the issue of overspending. That's why we call it S.O.S., stop over-spending. And the purpose of that goal is to be able to pass on to our children a government that's affordable, that continues to deliver the services that people expect, continues to give high-quality services, but does it in an affordable way so that our children's quality of life is not overwhelmed by the burden of a government that's trying to support a retired generation that is huge.

And again I must stress that you can't do this on the tax side. You can't solve the issues of the deficit, you can't solve the issues of entitlement concerns on the tax side. There is simply too much programmatic commitment in the pipeline to accomplish that. The General Accounting Office -- the comptroller of the government -- has told us that there is presently pending relative to entitlement responsibility for retired people, an obligation which we don't know how we're going to pay for. That's called an unfunded liability -- of \$46 trillion -- that's trillion with a "t" -- dollars. \$46 trillion of responsibility that we've put on the books, a cost that we put on the books, that we really don't know how we're going to pay for it.

But just to put it in some kind of context, since the beginnings of this country, since our revolution, we have paid something like \$43 trillion in taxes. So all the taxes paid since this country started would not pay for the bills which we have on the books for our upcoming retired generation. Or to put it in another context, if you took all the assets owned in America today, all the cars, all the homes, all the stock, all the small businesses, all the big businesses, and totaled them up, their total is about \$47 trillion in net value. So we have on the books a liability that is essentially the same as the net worth of our nation.

That is a serious problem, and you cannot deal with that problem by simply raising taxes. The other side of the aisle has not put forward any substantive ideas in this area relative to spending. They have suggested a proposal called PAYGO, which is a stalking horse for tax in increases. Fine. That's their position. We should raise taxes to address all

problems. But we know from the numbers that are now coming in at the Treasury that we're already taxing America and Americans at a level that is an historic level, our traditional level. And that our revenues to the federal government are jumping significantly because of the good tax policies that we have in place, the fair tax policies which we have in place. So we know that you can't solve this problem by continuing to raise taxes on the American people. The total tax burden to the American people today, including state, local, and federal, is almost at an historic high. How much higher can you put that tax burden on? You can't do it on that side of the ledger. In fact what we've proven is that you generate more revenues by giving people an incentive to be productive and go out and create jobs by having a fair and reasonable tax rate rather than jumping tax rates to the point where people have a disincentive to be productive and thus start to reduce revenues to the federal government. That was proved by John Kennedy, confirmed by Ronald Reagan and now confirmed again by George W. Bush. It should be accepted policy around here, but it is objected by the other side of the aisle which still subscribes to this 1930's philosophy, which is that you can always raise taxes to meet any problem.

No, the problem is that we need to be willing to step up and address spending. In this package, if it were to pass in its entirety -- and I hope it will. I hope the other side won't obstruct it coming to the floor; we hope to mark it up in the Budget Committee next week and report it out and I hope the other side will let us bring it up and let's have a free-flowing debate about how you address this issue, the out-year threat to our children, which is a function of the fact that there's a Baby Boom generation floating around here that's huge. Isn't going to go away and is going to demand significant services which will cost a dramatic amount of money. Our proposal is comprehensive, extensive -- it's a rebuilding, retooling approach towards how we manage this Congress, especially our budgets. And it's a constructive approach, one that is committed towards delivering affordable and effective government that doesn't overburden our children and our grandchildren with taxes. So, it will lead to a balanced budget, and it will lead to a government that's affordable and I want to thank all my colleagues who've joined me in this effort, and I do hope we can move it forward.

Mr. President, I would yield to the senator from Alabama.