

**Floor Statement by Senator Kent Conrad, D-ND,
on Conrad-Nelson-Feingold Pay-Go Amendment
Spending Reconciliation Bill
November 1, 2005**

Mr. President, I think the chairman of the Budget Committee just summed up the position of his party when he said we have to borrow the money because we have the debt. That is exactly right. Their party has put us on a fiscal course to explode the debt. And when the Senator talks about deficit reduction, which is on the cover of the book of the matter that we are discussing today -- it says deficit reduction -- it just doesn't have any credibility because it is part of a package. The package is the budget that was passed earlier this year. This reconciliation process we are going through now was authorized by that budget. That budget didn't reduce any deficit; it increased the deficit. Most seriously, it exploded the debt.

Well, here it is. The budget we are working to conclude increases the debt by \$3.4 trillion over the next 5 years. The spending cut they have out here right now is \$39 billion. By the way, they are about to reduce that because the first amendment from our colleagues on the other side is a spending amendment.

But let's look at the whole package, the whole package that our colleagues have offered the country, have offered the Senate. If doesn't reduce the deficit, it doesn't reduce the debt, it dramatically expands the debt -- not by my calculation but by their calculation. Here is their calculation of the increase in the debt of their 5-year budget proposal. They are going to run up the debt \$3.4 trillion. This spending out here over 5 years of \$39 billion basically does not touch it.

Now, my colleague had a whole list of possible tax cuts and said, well, maybe we are for increasing the taxes on the American people, on those various items. I support extension of many of those tax cuts, but I believe they ought to be paid for. That is the way we used to do business around here. We used to have a provision we called pay-go, and if you wanted to increase spending or you wanted to have more tax cuts, you could do it, but you had to pay for it. There is an old-fashioned idea: pay for it. Our colleagues over here don't want to pay for anything. They want every tax cut, they want every spending provision -- this increase in spending. They are in control. The spending they are complaining about, they passed it. They control the Senate of the United States. They control the House of Representatives. They control the White House. Every dime of this spending that they are complaining about, they passed -- every dime of it. The President has not vetoed one spending bill. Every dime of this spending they supported.

But here is what they did on the revenue side. This is what has happened to the revenue. The revenue side of the equation collapsed, and, yes, we have had an uptick in the last year, absolutely. The Senator is correct. Revenue has increased in the last year. But look at where it is. It is way below the historical level. The result of this combination of their spending increases and their tax cuts has been to explode the deficits. We have had in the last 3 years the largest deficits in the history of the country. They have exploded the debt -- not by my calculation but

by their own calculation and by the historic record.

Look, when this President came in, the debt was \$5.7 trillion. In 5 years he is going to have added \$3 trillion, if this budget plan passes. They ran up the debt another \$551 billion for the last year alone. They are going to increase the debt of this country in the 5 years of this Presidency by \$3 trillion, and in the next 5 years they are going to run it up another \$3 trillion.

Now, facts are stubborn things. It is very interesting that my colleague on the other side, when he put up the possible tax cuts they are talking about, left this one out. You didn't see this. You didn't see this one mentioned, the capital gains and dividends tax cuts. Here is the distribution of those tax cuts, who gets them: Those earning over \$1 million a year will get, on average, a \$35,000 tax cut. Those earning less than \$50,000 a year, this is what they get: \$6 -- \$6. That is what my colleagues on the other side of the aisle think is a fair distribution of the tax cuts -- \$6 for those earning less than \$50,000 a year, \$35,000 for those earning over \$1 million a year. And one of the ways they reduce the cost of all this is to take from the least among us.

Go look at what the House of Representatives is proposing by way of their spending cuts. They are going to cut Medicaid, they are going to cut food stamps, the things that go to the least among us so that they can give additional tax cuts to those who have the most among us.

That is not a value that I have read in any Bible. My Bible does not say take from the least among us to give to the most among us. I have not seen that in any chapter of the Bible or, for that matter, in any holy book. Virtually every religion -- perhaps every religion -- has as a value that we help the least among us. We don't take from the least among us to give to those who have the most. But that is exactly what is before us in this proposal.

Again I say to my colleagues, you can't separate out the first chapter of the book they have labeled deficit reduction; you have to read the whole book. You have to read all the chapters. If you read the chapters of this book, what you find is in chapter 1, they cut a little bit of spending, in chapter 2 they cut even more revenue, and in chapter 3, they explode the debt by \$781 billion. And they call it deficit reduction? Please.

If you look at the whole book, if you read the entire book, what you find is they are going to increase the debt of our country by \$3 trillion over the next 5 years. And they are out here talking about deficit reduction? No, that dog won't hunt.

I rise to offer an amendment with Senator Nelson and Senator Feingold to restore some budget discipline. We want to go back to the pay-as-you-go rule that served this country so well in previous years. I thank Senator Nelson and Senator Feingold for their leadership on this issue. I see Senator Feingold is on the floor.

Our amendment is simple. It restores the original pay-go rules preventing new mandatory spending and new tax cuts unless they are paid for. My colleague talks about all the additional tax cuts he wants. That is fine. I will support a lot of them, but we have to pay for them. Otherwise, we are borrowing money from China, Japan, the Caribbean Banking Centers, and all the rest to give tax cuts that, in many cases, go predominantly to the wealthiest among us.

What a bizarre strategy that is.

The proposal we are making today eliminates a loophole in the current pay-go rule which exempts tax cuts and spending increases that are provided for in the budget resolution. We don't have to pay for them if they are in the budget resolution. This huge loophole encourages fiscally irresponsible behavior, which is exactly how I would characterize the budget that is before us. It is fiscally irresponsible -- fiscally irresponsible to increase the debt by \$3 trillion when we have already almost \$8 trillion of debt. If people are serious about fiscal discipline, this is their chance to prove it.

I would like to take a moment to remind my colleagues of the history of pay-go and why it is important to reinstate the original pay-go rule.

The rule was adopted in 1990 at a time when the Federal Government was facing unprecedented deficits, just as we are today. Originally, the pay-go rule created a 60-vote point of order against tax cuts and mandatory spending that would increase the deficit. Tax cuts and increased spending either had to be paid for or face a 60-vote point of order. Back in the nineties, the budget discipline of pay-go helped us turn record deficits into record surpluses. But the pay-go rule we have now has lost its teeth. What we are left with is a pale reminder of what pay-go used to be.

The current pay-go rule exempts all policies assumed in every budget resolution. As a result of these changes, the budget resolution this year advocated borrow-and-spend policies. Here is what our current fiscal picture looks like: record budget deficits as far as the eye can see; an ocean of red ink. That is where we are now, and that is where we are headed.

In this year's budget, the majority paved the way for these reconciliation bills that are before us now that will actually increase the budget deficit. How? By shaving \$39 billion of spending over 5 years, but then by cutting revenue \$70 billion. The combined effect is to increase the deficit by \$31 billion, and we already have record deficits. The whole idea of reconciliation was to provide fast-track protection to deficit reduction. Now it has been hijacked, and they are using these special provisions and special protections to increase the deficit. It is a perversion of the process.

Federal Reserve Chairman Alan Greenspan opposes tax cuts that are financed by increasing the deficit. Here is what he told Congress last year.

Question from Congressman Spratt:

“Let me ask you this. You said you were for extension of the original pay-go rule, which would apply to tax cuts as well as to entitlement increases. Does that mean you would advise us that as we approach these sunsets and expirations in existing tax cuts, that they be offset before the renewal be passed?”

Mr. Greenspan: “Yes, sir.”

That is the answer the chairman was perhaps seeking. He wants to extend these tax cuts. Many of them I do as well. But I want to pay for them. That is what pay-go provides. Here is what the Fed Chairman had to say on the question of restoring the original pay-go: "Yes, sir,"

when asked a direct question if we should restore pay-go.

Earlier this year in testimony before the House Budget Committee, Chairman Greenspan again reiterated his support for fully offsetting the costs of all tax cuts:

“If you're going to lower taxes, you shouldn't be borrowing essentially the tax cut. And that over the long run is not a stable fiscal situation.”

That is what we are doing here: Put it on the charge card, run it up, borrow the money. Where are we borrowing it? Increasingly we are borrowing it from abroad. Under this President, we have increased our debt held by foreign countries by over 100 percent. It took 42 Presidents 224 years to run up a trillion dollars of external debt. This President has doubled it in 4 years. That is an utterly unsustainable course.

Chairman Greenspan said before the House Budget Committee earlier this year: “All I'm saying is that my general view is that I like to see the tax burden as low as possible. And in that context, I would like to see tax cuts continued. But, as I indicated earlier, that has got to be, in my judgment, in the context of a pay-go resolution.”

That is what we are offering here today, a pay-go resolution. You can have more spending; you have to pay for it. You can have more tax cuts; you have to pay for them. That is the budget discipline we had earlier in the nineties, and it worked well in drawing us out of record deficits and back into surplus.

In the past, the chairman of the Budget Committee has agreed with the Fed Chairman's wise counsel. During the fiscal year 2002 supplemental bill, the Budget chairman had this to say. This is Chairman Gregg:

“The second budget discipline, which is pay-go essentially says if you are going to add a new entitlement program or you are going to cut taxes during a period, especially of deficits, you must offset that event so that it becomes a budget-neutral event that also lapses.”

He went on to say:

“...If we do not do this, if we do not put back in place caps and pay-go mechanisms, we will have no budget discipline in this Congress and, as a result, will dramatically aggravate the deficit which, of course, impacts a lot of important issues, but especially impacts Social Security.”

The Budget Committee chairman was right then, and if he took the same position now, he would be right now because the measure we are offering is pay-go. If you want to have new spending, pay for it. If you want to have more tax cuts, pay for them. That is critically important given the fact that the deficits and debt are going up, up, and away under this underlying budget resolution.

What we are offering today eliminates the pay-go loophole. The current pay-go rule exempts all tax cuts and mandatory spending increases assumed in any budget resolution, no matter how much they increase deficits. Our proposal is to go back to what has worked in the past. It is traditional pay-go. It says all mandatory spending and all tax cuts that increase

deficits must be paid for or they have to get a supermajority vote of 60 votes.

Mr. President, I yield to my colleague from Wisconsin such time as he may use.

...

Mr. President, I thank my colleague, Senator Feingold, one of the most valued members of the Budget Committee, somebody who has been absolutely consistent on these issues and who has tried over and over to get the pay-go rules reinserted so we would have some assistance in restoring budget discipline.

I told a reporter the other day I have never seen this town so disconnected from reality as it is today. We have a measure before us that they call deficit reduction in the first chapter when we all know, if we read the whole book, it has nothing to do with deficit reduction. It is explosion of debt. Because by the time we get to the third chapter, what we find out is they are going to increase the debt by \$781 billion all the while they are talking about reducing the deficit. It is like words have lost their meaning. It is as though, what is the book, "1984," George Orwell -- war is peace, love is hate, deficit reduction is deficit increase. This labeling ceases to have meaning when people come out and say they are doing one thing, when they are doing precisely the opposite thing.

It is going to be hard to fool people about this because people know we have big deficits. The last three deficits are the biggest in our history and people know the debt is increasing. They may not know the exact numbers, but they know the debt is not going down; the debt is going up. The hard reality is this budget package that is steaming through is going to increase the debt of the United States by \$3 trillion over the next 5 years and that is by their own calculations. That is not my calculation. That is not the calculation of Senator Feingold. That is their own budget document's calculation. It says they are going to increase the debt \$3 trillion. They are talking about over the same period of time a \$39 billion spending cut, which is chapter 1. Chapter 2 is they cut the revenue \$70 billion, so now they have increased the deficit. Chapter 3, they are going to increase the debt by \$781 billion. That is just one year. The 5-year effect of their budget, and this is all part of the package, is to increase the debt \$3 trillion, and they are going to spend a week talking about how they are reducing the deficit.

One of the best things we can do is restore the pay-go rules. Pay-go rules say if one wants to spend more money, pay for it; want more tax cuts, pay for them. That is a rule we ought to have. That is a rule we used to have. That is a rule that helped. It was not the only thing that worked, but it helped.

I hope very much that this body will adopt the pay-go provision we are putting before them.

I yield the floor.