Opening Floor Statement on GOP Spending Reconciliation Bill
November 1, 2005

The subject under discussion is the matter before us entitled the "Deficit Reduction Omnibus Reconciliation Act of 2005." Big words that are meant to communicate, but it reminds me a little of the old saying: You can't tell a book by its cover. If there was ever a case of that, this is it. You need to know that this is a book of many chapters. We need to read all of the chapters to know the conclusion. I can assure you the conclusion is not deficit reduction. No, this budget has nothing to do with deficit reduction. This budget is all about increasing the debt and increasing the deficits.

Describing this package as deficit reduction is a little like the blindfolded man describing an elephant by only touching its tail. The blindfolded man might describe the elephant by just holding its tail as small, long, and slick. Well, that is not the whole story. That is an accurate description as far as it goes, but it misses the larger truth. That is the case with describing this budget action as deficit reduction. It is only the first chapter. You have to read all of the chapters to get the full meaning. The truth is, this budget increases the deficit and explodes the debt. That is the larger truth.

The budget that was enacted earlier this year actually increases the deficit by $168 billion over the 5 years of its life. It does not reduce the deficit. It increases the deficit. We would have less of a deficit if we put the whole budget on cruise control, but that was not the choice the majority made. They made a choice, consciously, to write a budget that, even in the face of record deficits and massive increases in debt, increases the deficits even further. I know it is hard to believe, but that is the fact of the matter. The budgets that have been written by our colleagues on the other side of the aisle increase the deficits.

Budget reconciliation is a part of the overall budget process. Budget reconciliation is special provisions, fast-track provisions that enjoy special protection under the rules of the Senate. But remember, what we are dealing with this week is the first chapter. The first chapter contains spending cuts of $39 billion. But that is only part of the package. The next chapter will have tax cuts of $70 billion. If you put those two chapters together, you don't have a reduction of the deficit, you have an increase in the deficit of over $30 billion.

Chapter 3 is the chapter our colleagues on the other side of the aisle hope you will not read. Chapter 3 increases the debt of the country by $781 billion. That is what this book is all about: increasing the debt of the country when we have already taken on record amounts of debt.

Back to chapter 1 and chapter 2. Chapter 1 cuts spending by $39 billion, but it is quickly followed by chapter 2 that cuts taxes $70 billion. The combined effect of chapters 1 and 2 is very clear. It is not deficit reduction, not what is on the cover of the book; it is a deficit increase, an increase in debt.

If we go back to what the President told us when he started us down this course, he told us in 2001:

> "[W]e can proceed with tax relief without fear of budget deficits, even if the economy softens."

That is what he told us. Look at what has happened. Now we can look back and we can check the record and we can see whether the President was right or was he wrong.

Back at the time in 2001 that the President proposed these massive tax cuts, this was the outlook according to the Congressional Budget Office and the administration. This was their outlook going forward, a range of possible outcomes from a worst-case scenario to the best-case scenario. They adopted the midline that told us we were going to experience some $6 trillion of surpluses over the next 10 years.

But look what happened in the real world. Look what happened in actuality. We didn't get the worst possible outcome under the projections that were provided. We got way below the worst possible outcome. This red line is what actually happened compared to the projections, and instead of trillions of dollars of surpluses, what we have are trillions of dollars of debt.

I can remember when we were having that debate. My Republican colleagues told me when I warned them that you can't bet on this 10-year forecast, that it is highly unlikely to come true, many of my Republican colleagues told me, "Kent, you are far too conservative. Don't you understand, when we have these big tax cuts, we are going to get even more revenue. We are not going to be at this midrange of forecasts of possible outcomes; we are going to be well above it because these tax cuts are going to generate much more revenue."

Again, now we can go back and check the record as to what actually happened. We did not get some great boost. Instead what we got was an ocean of red ink. Instead what we got were these massive deficits.

Previous Presidents have said that facts are stubborn things. Facts are stubborn things. And the facts are that this fiscal policy has taken us deep into the deficit ditch. Despite all of the President's promises that would not occur, he was simply wrong.

The next year the President told us:

> "...[O]ur budget will run a deficit that will be small and short-term...."

We can go back and check the record on that as well. He said that in 2002. Look what has happened since. The deficits have exploded. In 2003, we had what was then the largest deficit ever. In 2004, the deficit got even bigger. In 2005, the deficit was the third largest we have ever had. So, again, the President was simply wrong in his prediction.

If we look at this from a historic vantage point and look back to 1980 and look at the outlays or spending of the United States and the revenues, we see some very interesting things. This is all expressed as a percentage of our gross domestic product, which is what economists say is the best way to make these comparisons because it takes out the effect of inflation and real growth. So we are comparing apples to apples here.

Look what has happened. This is the spending line of the United States. It was up over 23 percent of gross domestic product in the previous Bush administration. Then we got to the nineties, and the Democrats put in place a plan that led us to reduce spending, and each and every year spending came down as a share of GDP.

In 2000, we had a change of administration, and here is what has happened to spending. Spending has gone up. Spending has gone up, but it is still well below where we were in the eighties and nineties. These are facts.

Why did the spending go up? The spending went up largely for three reasons. One, national defense; two, homeland security; three, rebuilding New York and bailing out the airlines.

All of us supported on a bipartisan basis this increase in spending. This was in response, obviously, to 9/11 and a national emergency. So, yes, spending went up. Virtually all of it is accounted for by defense, homeland security, and rebuilding New York and aid to the airlines.

Now we are at a place where spending is at about 20 percent of gross domestic product. But look what happened on the revenue side of the equation. Again going back to the eighties, we were at about 19 percent of gross domestic product on revenue. We had a series of tax cuts then that opened up deficits as spending was not reduced to make up the difference. Then we got to the nineties and again we had a plan that was put in place. Revenue increased every year until we actually got to the circumstance in which we were running surpluses. For 2 years, we not only ran surpluses, but we stopped using Social Security money for other purposes.

Then in 2000, with the change of administration, a series of tax cuts was put in place, and we experienced an economic slowdown and the revenue side of the equation collapsed. Until last year, we had the lowest revenue as a share of gross domestic product since 1959. We have had an increase in this last year, but the forecasters are saying that will level out going forward as a share of gross domestic product, leaving us with this very large gap between spending and revenue and, hence, ongoing massive deficits. That is the reality we find ourselves in today.

The next year, in 2003, the President told us:

> "[O]ur budget gap is small by historical standards."

I think if you measure it fairly, what you find out is that is not the case either. What the President has been focusing on is only the deficit. The deficit this last year was $319 billion, but that isn't what got added to the debt. What got added to the debt of the country was not $319 billion, it was $551 billion. The largest part of the difference is Social Security because last year, under the President's plan, $173 billion of Social Security money was taken to pay for other programs. That all gets added to the debt, but it is not counted in the deficit calculation.

When you add in those items that were not counted in the deficit, what you find is that the increase in the debt was, instead of the 2.6 percent that many have asserted, the actual difference between spending and revenue, the actual difference in addition to the debt was 4.5 percent of gross domestic product, and that number is a danger sign.

Most economists say your deficits should not be above 2.5 percent of GDP. The truth is, what got added to the debt last year was 4.5 percent of GDP. In the European Union, you cannot be a member in good standing if you run deficits in excess of 3.0 percent of GDP.

The big difference is what is happening with Social Security because back in the eighties, the deficits had almost nothing to do with Social Security. Social Security was running very small surpluses at the time. In fact, if you go back to 1983, there was no Social Security money to take to spend for other programs. There was no surplus in Social Security. But look what has happened since. Social Security surpluses have grown dramatically. This was intended, this was designed to prepare for the retirement of the baby boom generation. The whole idea was to use these surpluses to pay down debt or to prepay the liability. That is not what has been done.

Under the President's policy, all of this Social Security money is being taken to pay for other programs. That is what is happening. All of it is getting added to the debt, all of it has to be paid back, and there is no plan to do it.

This is the difference between the eighties and now. In the eighties, almost no Social Security funds were available to be taken to pay for other items, now we have -- just last year -- $173 billion in that year alone.

Over the next 10 years, under the President's plan, they are going to take $2.4 trillion of Social Security money to pay for other things. That is a dangerous course.

Now, the President told us just last year:

> "So I can say to you that the deficit will be cut in half over the next 5 years..."

All of his assertions so far have been proved wrong. Now he tells us: Do not worry, we are going to cut the deficit in half over the next 5 years.

First, I do not think that is the appropriate test because we are in the sweet spot of the budget cycle. This is the time when we should not be running deficits at all because this is right before the baby boomers retire, and we are running these massive surpluses in Social Security. Those funds should have been used to either pay down debt or prepay the liability. Instead, the money has been hijacked. The money has been taken to pay for other things -- digging a much deeper hole for the future. So when the President says the deficit will be cut in half over the next 5 years, that is not even the right test. This is not a time when we should be running deficits at all.

Beyond that, if one pierces the veil on the President's claim that the deficits are going to be cut in half, here is what they find out: He got there by just leaving out things. He just left out war costs, did not have any war costs in his budget past September 30 of this year. Does anybody believe the war costs ended on September 30 of this year? That is what the President's budget said.

He did not just leave out war costs, he left out the cost of dealing with the alternative minimum tax. The alternative minimum tax, which is the old millionaire's tax and is rapidly becoming a middle-class tax trap. It costs $700 billion to fix. The President just left that out of his budget.

The President wrote a 5-year budget instead of the 10-year budgeting that used to be done because at the end of the fifth year, the cost of his tax cut proposals explodes, driving us deeper into deficit and deeper into debt. Apparently, he did not want to share that information with the American people.

When one looks at the long-term outlook with those things added back in that the President left out, what one sees is a slight improvement in the deficit in the short term, but then it just explodes beyond the 5-year budget window. Why is that the case? Well, I have mentioned some of the reasons.

The first reason is war costs. In the mid-session review, the President had included $50 billion for ongoing military operations, but the Congressional Budget Office tells us that $50 billion does not begin to cover the real costs. They say the real cost is going to be $333 billion. So the President has left out a big chunk of spending that others say we will experience. Second, by adopting a 5-year budget -- it used to be 10-year budgets -- the President is hiding this fact: The cost of his tax cut proposals explodes right beyond the 5-year budget window. Is this not interesting? This dotted line is the end of the 5 years of the budget proposal presented by the President. Look what happens to the cost of his tax cut right beyond the fifth year. The cost of the President's tax cut proposal explodes right beyond the end of the fifth year.

Maybe it should not be a surprise that the President switched from 10-year budgeting to 5-year because he would have had a very hard time explaining how his plan will reduce the deficit when factoring in the exploding cost of his tax cuts, the additional cost of war, and the cost to fix the alternative minimum tax.

By the way, the pattern is much the same with the alternative minimum tax. The alternative minimum tax, which virtually everyone says needs to be reformed, the President did not put one thin dime in his budget proposal to deal with that. According to the Congressional Budget Office, it will cost $774 billion to fix. The President does not have any of it in his budget.

Look at the pattern. Here again, the dotted line is the end of the 5-year budget proposal of the President. Here is the pattern of costs of fixing the alternative minimum tax. What happens if we do not fix the alternative minimum tax? Well, here is what happens: In 2005, 3.6 million taxpayers were affected. If we fail to act, by 2010, 29 million taxpayers will be affected. So people are in for a big surprise. They thought they were going to get a tax cut? Instead, they are going to get into the swamp of the alternative minimum tax: 3.6 million people affected this year, 29 million affected 5 years from now if we fail to act. It costs $770 billion to fix, and there is not one dime in the President's budget to do it.

Here is what the President said in 2001 about the importance of paying down debt. The President told us at the time:

> "...(M)y budget pays down a record amount of national debt. We will pay off $2

> trillion of debt over the next decade. That will be the largest debt reduction of any country, ever. Future generations shouldn't be forced to pay back money that we have borrowed. We owe this kind of responsibility to our children and grandchildren."

The President was right about one thing. We do owe that responsibility to future generations, but he did not pay down any debt. Instead, the debt has exploded. The budget that my colleagues on the other side of the aisle passed and the budget that we are moving to take final action on does not pay down any debt. It explodes the debt. It takes the debt from $7.9 trillion now, and it increases it by more than $600 billion a year each and every year of the life of this budget -- this after the President told us he is going to have maximum pay-down of the debt. There has been no pay-down of the debt. He is exploding the debt.

Every minute in 2005, the budget policies of our colleagues on the other side of the aisle increased the national debt by over $1 million. Every minute of every day, they have increased the debt by over $1 million.

What are the consequences of this fiscal failure? The consequences are very clear. Foreign holdings of our debt have exploded. It took 200 years to run up $1 trillion of debt held by foreign countries and foreigners. This President has doubled it in 4 years. We have gone from $1 trillion of foreign holdings of our debt to $2 trillion. That is an utterly unsustainable course. That is the outcome of the fiscal policy of this administration. It is not conservative; it is reckless. This is a policy of exploding our debt.

Who holds this debt? Well, I might add it is interesting that President Bush did in 4 years what 42 Presidents took 224 years to do. Forty-two Presidents ran up $1 trillion of external debt. This President exceeded them in 4 years. This President ran up more debt held by foreigners in 4 years than the other 42 Presidents combined in the history United States. Let me repeat that. This President ran up more debt held by foreigners in 4 years than 42 other Presidents ran up in 224 years. That is a record of fiscal failure unmatched in the history of this country.

They call themselves conservatives? Why, they should call themselves borrowers because that is what they are doing. They are engaged in the greatest borrow-and-spend spree in American history.

Who are we borrowing the money from? Increasingly, we are borrowing it from foreigners, from foreign governments, from foreign investors. Now we owe Japan over $684 billion. We owe China over $240 billion. We owe the United Kingdom over $170 billion. My favorite, the Caribbean Banking Centers, we owe the Caribbean Banking Centers over $100 billion. Where did they get their money? Anybody here do their banking in the Caribbean? We owe them over $100 billion. This is conservative? What is conservative about this? Some say this is strengthening the country. How is that? How does it strengthen the country to borrow more and more money from abroad?

This is all happening at the worst possible time -- before the baby boomers retire. We are facing a demographic tsunami, and here it is: This is a depiction of the numbers of people in the baby-boom generation. We have less than 40 million people who are eligible for Social Security and Medicare now, and we are headed for 81 million. That changes everything. Instead of preparing for it, this President has dug the hole deeper and deeper. There is nothing conservative about what is being done.

Let us go back to the so-called budget reconciliation that is before us today. The cover on the book says: Deficit Reduction. One has to read the book. They have to read every chapter of the book to find out the conclusion, and the conclusion has nothing to do with deficit reduction. Oh, no. The first chapter cuts spending $39 billion, but the second chapter cuts revenue $70 billion. So guess what: No deficit reduction here. The deficit is increased, not reduced. Then one has to read the third chapter of the book. What is found there? They are going to increase the debt $781 billion -- one of the biggest increases in our national debt ever. If they get that increase, this President alone, in the 4 years he has been in power so far, will have run up the debt by $3 trillion.

In the next 5 years, he is going to run up the debt another $3 trillion. There used to be a TV show -- what did they call it -- the "Six Million Dollar Man"? We have the $6 trillion President because the effect of his policies will be to run up the debt of this country by $6 trillion. That is truly stunning.

Here is the record. In 2002, debt was increased by $450 billion. In 2003, debt was increased by $984 billion. In 2004, it was increased by $800 billion. Now our friends on the other side want to increase the debt by $781 billion. That is a grand total of more than $3 trillion of additional debt. We know that, if this budget is passed, they are going to add another $3 trillion of debt over the next 5 years -- a combined total of this President's policies of $6 trillion.

That is this President's plan. Unfortunately, that is the plan of this Congress.

Don't take my word for it. This is a budget they euphemistically call a deficit reduction plan. If this weren't so serious, this would be very amusing. They place the title of "Deficit Reduction" on this plan. Come on. Here is what this plan does according to their own tables. Go and look in the conference report on the budget that was done earlier this year by the majority party in the House and the Senate. This is their conclusion about what is going to happen. This is their conclusion. You see the debt going up every year by more than $600 billion. That is their plan. If you look at the next 5 years, the debt under their plan is going to increase by more than $3 trillion, and they are out here with this book entitled "Deficit Reduction Act," and their plan increases the debt by $3 trillion over the next 5 years. Have words lost their meaning? They call this deficit reduction. They are increasing the debt over $3 trillion, and they label this deficit reduction. That is breathtaking.

Chapter 2 of this book is to extend certain tax benefits, tax cuts. Many of those I support, but some of them are just overwhelmingly directed at the most wealthy among us. If you look at chapter 1 being written here, and chapter 1 being written over on the House side -- by the way, the House budget is very clear. It is going to cut food stamps. It is going to cut Medicaid. The House bill takes from the least among us so that they can give to those who have the most.

When I say "give to those who have the most," let me talk about two provisions that are in their tax plan. Extending dividends and capital gains cuts will, on average, give a millionaire a tax break for 1 year of over $35,000. Those earning less than $50,000 a year will get $6. Those earning from $50,000 to $200,000 a year, on average, will get $112. Those earning from $200,000 to $1 million a year will get, on average, $1,480. Those earning more than a million dollars a year will get $35,000 a year. It is a very interesting set of values. It is a very interesting set of priorities, to cut Medicaid and cut food stamps. This is not the Senate bill I am talking about. I am talking about the House bill. The House bill cuts food stamps, cuts Medicaid, cuts aid for those who are the least among us, takes the resources and gives them to those who have the most.

I don't know in what Bible they read that. I have not read any Bible that says the value ought to be take from those who have the least and give to those who have the most. In fact, I don't know of any holy book of any religion that says that is a value, that what we ought to be doing is taking from those who have the least among us to give to those who have the most among us. I don't know of any religion that has that as a value.

I know our colleagues on the other side will say, “Wait a minute here. These tax cuts have fueled economic growth.”

There are tax cuts that are helpful to economic growth. That is undeniable and clear. In 2001, I supported a significant package of tax cuts, tax cuts that the Congressional Budget Office told us would get a large bang for the buck in terms of economic growth. Part of those were included in the package. In fact, many of them were, and I supported those.

But many of these provisions simply went too far in terms of their cost and have pushed us over into a sea of red ink, massive deficits, and massive debt. They simply went too far.

Here is the record on revenues as a share of gross domestic product. In 2000, we were at a historic high. That is absolutely clear. Tax cuts were justified in 2000. I didn't think the magnitude of the tax cuts were justified, but clearly we needed tax cuts, partly to give lift to the economy. My own proposal to our colleagues actually had more tax cuts in the short term, much more than the President's plan, to give lift to the economy because that made good economic sense. But they put tax cuts on top of tax cuts on top of tax cuts and plunged revenue to 16.3 percent in 2004. That is the lowest it has been since 1959, and far below the level of spending for which they have all voted. So the result is red ink, massive red ink.

Here is what the Chairman of the Federal Reserve has said about deficit-financed tax cuts, because that is what is going on here now. We are borrowing the money to give tax cuts. From whom are we borrowing the money? Increasingly, we are borrowing it from the Japanese, the Chinese, Caribbean banking centers, to give tax cuts to the most wealthy among us. Does that really make sense? Is that really defensible? I don't think it makes any sense.

I am not alone. Chairman Greenspan, in his testimony before the Budget Committee last year, said:

> “If you are going to lower taxes you should not be borrowing essentially the tax

cut. That over the long run is not a stable fiscal situation."

Chairman Greenspan has it right. We should not be borrowing to provide tax cuts, and we certainly should not be borrowing from foreign governments and foreigners to finance tax cuts. We certainly should not be borrowing more and more money from Japan and China and Caribbean banking centers and who-all knows who else in order to finance these tax cuts, driving us deeper and deeper into the deficit ditch before the baby boomers retire.

About the baby boomers, that is not a projection. They are alive today. They are going to retire. They are going to be eligible for Social Security and Medicare. About all I hear from the other side is they will cut Social Security, and they will cut Medicare in order to fill in the difference. That is where this is all headed. Make no mistake about it. Our colleagues on the other side of the aisle, their full intention is to shred Social Security and to shred Medicare in order to avert a fiscal disaster. We are headed for a train wreck. It is just as clear as it can possibly be.

What have our colleagues done? They have come out with this very, I would say misleading title on a book, saying it is a Deficit Reduction Act. When you read all the chapters of the book, it is not a deficit reduction proposal. It increases the deficit and explodes the debt.

Chapter 1, yes, they cut spending $39 billion over 5 years. Chapter 2, they cut revenue $70 billion over the same time. That increases the deficit by $31 billion. But chapter 3, that is the one they do not want you to read. You will not hear them talking about chapter 3 at all out here because they do not want you to know about chapter 3.

In chapter 3, they are going to increase the debt by $781 billion. This is after they have already run up the debt over $2.5 trillion over the last 4 years. Now they are fixing to increase the debt another $3 trillion over the next 5 years, and they are out here with a book called "Deficit Reduction." Oh, no, I don't think the American people are going to buy that. I don't think the American people are going to be fooled by that. I don't think the American people are going to conclude that what this is about is reducing the deficit because it is not.

The simple truth is, this budget plan increases the deficit and it explodes the debt.

Mr. President, let me say that on our side we have enjoyed working with the chairman of the committee very much. He is absolutely professional and fair and his word is good. We have had a very good working relationship on the Budget Committee. Obviously, we have disagreements about policy, but on the committee we have tried not to disagree in a disagreeable fashion. I have respect and admiration for the chairman of the committee, and we are going to try to work together to handle amendments in an expeditious and professional way so the time is well used.

I yield the floor.