



BUDGET COMMITTEE



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**Senator Gregg's Opening Remarks at Budget Committee Hearing
on The Budget and Economic Outlook: Fiscal Year 2011-2020
January 28, 2010
(unofficial transcript)**

Thank you, Mr. Chairman. I obviously second everything you said about the problems we have as a nation and that we are confronting relative to the debt, as you have said, 'The debt is the threat.' And it is more than a threat now. It is a cataclysmic event facing us, which is going to basically give our children a nation they can't afford, and a lower standard of living than we have had in our generation.

I want to put one chart up because I think it is the most telling chart that I've seen in recent years (*see attached chart*). This chart takes the CBO numbers and projects them out. What the Chairman was talking about is the line that is through the middle, the axis line, which shows the red line at its height, the red line being spending, and the blue line, at its nadir, which is the taxes line.

And that's where we are today. This massive gap is generated in large part by the recession, but also because much of the spending is recessionary-driven, and obviously the drop in tax revenues is recessionary driven. But what it also shows, in stark terms, is that when we return to some level of normalcy, to use Harding's term, where revenues return to their historic levels, we still have a massive gap because spending is not returning to its historic levels, which makes the obvious point that the problem is primarily a spending problem.

Even if you get your revenues back to where they have been, on average, for the last 40 years, you do not solve our problem, and we continue to pile on this debt and we get to a position, regrettably in the very near future, where our debt is so large, that like a dog, we can't catch our tail. In other words, we won't be able to afford the interest payments on that debt.

The world community and our own nation will begin to be suspicious of our capacity to pay our debt down, which will lead to an inevitable crisis of significant proportions relative to the value of the dollar, relative to our ability to sell debt, and relative to the productivity of the nation, as we probably have to dramatically raise the cost of government on the productive side of the ledger.

So, this is a problem of inordinate proportions, and it is, in large degree, a spending issue. And thus we have to start addressing it on the spending side, and obviously there are others who want to address it on the revenue side, but I believe we have got to address the issue where it lies, and this chart unequivocally points out that it lies in the fact that we are taking the size of the government from its historic level of about 20% of GDP up to 25%, 26%, 27%—potentially up to 30% of GDP.

Well, how do we address that? Last night the President said he wanted to freeze non-defense discretionary spending. Well, that's good language, but not a lot of money. It's a lot of money for us, individually. It would actually be a lot of money for the state of New Hampshire, but in the context of what we're facing in deficits, it's not a lot of money. The lot of money comes on the entitlement side, not on the non-defense, discretionary side. That's where we've got to set our course and try to do something. Unfortunately, I didn't hear anything about controlling the entitlement accounts.

In fact, on balance, if you take all the new programmatic ideas that were put on the table last night, and there were a whole series of them that were put out—I haven't added them up yet, but I am sure they far exceeded by a factor of, I suspect, 4 or 5 what was represented as what would be saved under a non-defense discretionary freeze—actually, spending under the proposals from last night go up again. We need to face up to this.

It's like that old Fram oil filter TV ad, 'Pay me now or pay me later.' But the later is coming fast. This is no longer an over-the-horizon event, it is on the horizon and is closing in fast. I'll be interested to hear from the CBO Director what he thinks the closing date is—when does the nation hit the wall? We know that Japan is hitting it right now, that their debt is about to be downgraded, it appears. When are we going to get to that point, and is it not a predictable event right now that that will occur in our nation? And when that occurs, you have basically stepped off the insolvency cliff, and it's very hard to catch yourself if you fall off an insolvency cliff. So, I'll be interested in hearing what the Director says.

I also want to join in with the Chairman in thanking him for his extraordinary work, and his team's extraordinary work, over the last few months, an incredibly intense period with the scoring of the health care bill and the integrity and fairness of CBO really made me comfortable we were at least getting good numbers on a bad bill. And we were getting honest and fair numbers on a bad bill, and that's what CBO should do. It should be the fair umpire around here, and you have really done an extraordinary job being the fair umpire and we thank you for that.

Federal Taxes & Spending as % of GDP

