



# BUDGET COMMITTEE



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**Senator Gregg's Opening Statement at Budget Committee Hearing  
With Office of Management and Budget Director Peter Orszag  
On the President's Fiscal Year 2011 Budget Proposal  
February 2, 2010  
(unofficial transcript)**

Thank you Mr. Chairman. Thank you again for reminding us of the seriousness of the problem and the issue and the failure of this budget to honestly address that issue in the out-years and in the short term for that matter, as far as I'm concerned.

You know, it's really not what this Administration inherited that is quite as important as what our children are going to inherit. In both this budget and the budget that came last year, they are going to inherit a country whose debts have risen to such a level as a result of deficit spending, that the nation will be unaffordable for them.

I actually think it's malfeasance to present a budget, which by its own terms and numbers, leads us down a path which ends in insolvency for this nation. And that's not my assessment of this budget. That's the assessment of this Administration in the long run: we go into insolvency. It's unsustainable. It's unsustainable under any form, what is proposed in this budget. If we intend to continue to have a vibrant nation to pass on to our children, the blame falls in a lot of different places. You can blame it on the past Administration; you can blame it on a generation that's huge and is about to retire; you can blame it on this Administration that's exploding the size of government in a variety of different areas, but blame isn't going to do us any good.

Let's talk about solutions. Let's talk about resolving this. Unfortunately, this budget as it's presented is filled with small ideas and smaller actions in the areas of how you get this long-term issue under control. And what we don't need are a lot of bunts and singles, and hit and runs. We need somebody to step up to the plate with ideas that will lead to doubles, and triples, and homeruns. We can no longer afford to play small-ball on this issue.

I want to put into context how I see this problem (*see attached chart*). The revenue side is a big issue for us right now, because in a recession revenues dropped, and they've dropped more precipitously in this recession than probably in any recent recession. CBO projects -- and I would note that CBO's baseline projections are for lower deficits than

the deficits under the Administration's policies -- CBO projects the revenues will jump back to their normal, historical level of 18.2% fairly quickly because of additional revenue that comes in when the tax cuts expire at the end of this year, and that they will exceed that level, getting up to 20% of GDP essentially, which would be well above their historic levels.

The problem is spending. Spending has spiked not only as a result of the desire to float the economy using the liquidity of the government, but it is also spiking because there is being put in place programmatic activity which radically expands the size of the government. And so spending goes up astronomically as a percent of GDP to levels not seen really in any time except for when we have been at war, and it doesn't come down.

That's the real horror of this budget. And the proposal is that when you get out 10 years - - and you can't blame George Bush 10 years from now -- when you get out 10 years, the deficits are going up, and the debt has crossed into a place where recovery is virtually impossible from it because, you're like a dog chasing your tail, you can't catch it. Debt service alone will be the biggest item in the federal government. And we're talking billions, approaching \$800 billion by CBO's estimate, potentially \$1 trillion, and as a result there is no light at the end of the tunnel. It's pretty black. And there may be a stone wall out there that we're heading towards.

So what should we do?

I would have liked us to use a statutory commission, as the Chairman and I proposed, because I think that that's the only way you can pull together a group of people and have it be bipartisan. You need that initial vote where a bipartisan vote actually occurs. It creates the commission because that gives it the stamp of bipartisanship which is so critical. An executive order, by definition, is an executive order, and therefore is more partisan, and it is not a creation on the part of the Congress and the President enacting a law together, and so it has fundamental flaws there.

And secondly, you needed a statutory structure because you have to have an up-or-down vote, you have to have a fast track, and you can't have an amendable vehicle, or else too many games are played around here.

And would that task force have solved all the problems? No. But would it have addressed a big chunk of the solution? Yes. And should everything be on the table? Absolutely. Everything has to be to.

Some people on my side didn't vote for it because they didn't think there should be any tax policy on the table. That's foolish. You have to have everything on the table. People on the other side didn't vote for it because they didn't want Social Security or something else on the table. That's foolish. You have to have everything on the table. That was, in my opinion, the best approach, but it failed. I hope we'll bring it back. We were seven votes short, and I hope we will be able to bring it back and pass it. I saw this Congress,

members of the other party, cast 60 votes for a couple of items around here, and so they ought to be able to get 43. We can get 17. Maybe we can get a few more on our side.

Independent of that, we have to think of bigger approaches to this. That's the bottom line. You can't do this, a freeze, on discretionary non-defense items post -2010. What's that? Ten billion dollars on a \$1.6 trillion deficit? Sure, it's the right sentiment, but it doesn't get you anywhere. That's small ball. That's not even a bunt. An executive order commission probably gets you a nice report, but it doesn't require that you get action.

There are a number of programs which this Administration suggests eliminating. I'll vote to eliminate them. Unfortunately, most of them have been proposed before and that hasn't been accomplished. I think we have to think in a bigger context.

Let me suggest four things that we can do. First, we can start the freeze today, and really make a statement of certainty: 'We're going to freeze federal spending effective today.' In fact, if you want to make it a real freeze, make it a freeze of last year's earmarks. That's a number that will get you a little bit of money.

Second, it is inexcusable that the TARP is being used as a piggy bank. Inexcusable. The language of the TARP was very specific. Monies paid back were supposed to go to debt reduction. Once we got past the crisis, which we have by all accounts, according to the Secretary of the Treasury and the Chairman of the Fed, we should not be drawing down more TARP money. Those dollars should be lapsed, and the monies that come in should go toward debt reduction. You're talking hundreds of billions of dollars there.

Third, there is no excuse for spending stimulus money after 2010. And that's a lot of money. There's money being spent on the stimulus package that occurs in 2014, 2015, 2016, 2017, and 2018. How can you justify that? Clearly, those dollars should be lapsed.

And last, let me take an idea that was put forward by the other side of the aisle, a very courageous idea in my opinion. The other side of the aisle, in their health care bill, suggested adjusting Medicare spending by \$500 billion, actually \$1 trillion when fully implemented over a 10-year period. Regrettably, rather than using that money to stabilize Medicare, they took that money and then created major new entitlements with it. They took Medicare funds that should be used for Medicare and funded a brand new series of entitlements.

Well, if you were willing to vote to make those types of tough decisions on Medicare, do it again, but use the money to stabilize Medicare. Put it in a Medicare stabilization fund, and you'll get some very significant out-year savings, and they'll be really positive.

Those are some ideas. I'm sure there are some ideas on the other side of the aisle on tax policy that could also be considered. But as a very practical matter, let's stop talking about these little ideas, and let's stop putting forward budgets like this which represent a death certificate to the American dream for our kids, because that's what this is if we

continue on this path. Our kids are not going to be able to participate in the American dream because their lives will be mortgaged, and their capacity to be prosperous will have been fundamentally undermined by the debt we will have put on their backs.

Thank you Mr. Chairman.

# Federal Taxes & Spending as % of GDP

