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Senator Gregg's Senate Floor Remarks on the Debate to Increase the Federal Debt Limit
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(unofficial transcript)

Mr. President, I want to speak a little bit here on the debt ceiling issue because it is critical, and it's critical because of the size.

You know, we, as a nation, are running up debt at a rate that we've never seen before in our history. In 2009, our deficit added $1.4 trillion to our debt, and we'll potentially add just as much in 2010, and under the budgets that were brought forward by the President, it looks like we're going to have $ 1 trillion of deficit every year for the next 10 years. That's an expansion of our debt at a rate that we've never seen before, except during World War II.

What's the implication of that? Nobody really understands what $1 trillion is. I don't understand what $1 trillion is, so I want to try to put it in context. We know for a fact that certain nations get into trouble when they allow their debt to get so large that their economy doesn't have the capacity to pay it down in an orderly way.

Regrettably, we're seeing that today in Greece. Regrettably, their sovereign debt has gotten so large that they're in a position where their capacity to pay it off is at risk, and so the value of that debt -- it is adjusted by the marketplace -- becomes much more expensive for those nations to borrow, and at some point they can't borrow and they end up with what amounts to a national bankruptcy.

That's never been a threat to us as a nation because we've always had a vibrant economy and, because the dollar is the world's reserve currency, we've been able to basically monetize our own debt. There have always been people out there willing to lend to us as a nation because they've always assumed that the United States, because of our resilience and economic strength, will always be able to pay our debt. That's why U.S. Treasuries are considered to be one of the safest investments in the world, or traditionally have been. That has been great strength of our nation, to have this sort of integrity to our currency and our ability to repay our debt.

But on the course that we're presently pursuing, all of that is going to be called into question, and called into question much sooner than we had expected, I suspect, or than anybody who had looked at this objectively just two or three years ago would have anticipated. We know there are certain thresholds that generate huge warning signs, where red flags go up and say, your nation is in trouble.

A couple of those thresholds have actually been adopted by the European Union, as they have looked at their membership and said, what is the proper deficit of an industrialized nation and what is the proper debt to G.D.P. ratio of an industrialized nation? You can't be a member of the European Union if your deficits exceed 3% of G.D.P. and your debt exceeds 60% of your G.D.P.

Well, our deficits are around 10% of G.D.P. right now. They'll hopefully go down. But there's no time in the next ten years where they're projected to fall to 3%. And our debt held by the public is going to cross that 60% of G.D.P. threshold probably later this year. So arguably, as I’ve said before on this floor, we would not be able to get into the European Union if we wanted to because we would not meet their standards for fiscal responsibility as a nation. That's pretty serious.

What's even more serious is that there's no end to this in sight. We're looking at a deficit and a debt situation which continues to expand and become even more and more problematic for us as a nation, for as far as the eye can reasonably see, which for the purposes of this discussion around here is about ten years. We know that the ratio of debt-held-by-the-public to G.D.P., under the President's budget as proposed last year, before this health care bill was taken up -- and I would argue that that health care bill is going to radically increase the debt in the next ten years, although some will debate that point using CBO cost estimates.

But independent of that, we know that under the budget as it is presently presented, the debt held by the public is going to exceed 80% of G.D.P. by the year 2019. And in fact there are some estimates that say it will exceed 100% of G.D.P. before we hit 2020. Those are intolerable situations.

What's the practical implication of our adding that much debt through deficit spending over the next few years to our economy? A few things occur, and they're undeniable. They will occur on the path that we're presently on.

The first thing that will occur is it will be much harder for us to sell our debt because nations will start to say, we're buying their debt -- people around the world, including our own public, I would say, will start to say, can they really afford to pay that? When they cross the 60% threshold and they start heading up to 80%, 90% of G.D.P. as the debt ratio, can they really pay back their debt? People are going to wonder. I'm going to charge them a premium before I’ll lend them any money. So the cost of interest will go up dramatically.

It is projected that in the year 2019 interest on the debt will reach $800 billion a year. That's more being paid out in interest, which goes to people all over the world -- people in China, people in Saudi Arabia, you know, all over the world -- that interest will be higher than any other item of current federal spending. What a waste of money that is. What a misuse of money. All that money could be used for something constructive in the United States, such as building infrastructure, building schools, assisting with education, or whatever else. If you're going to spend it, why would you spend it on interest?

So we will be in a position where it will be harder for us to sell our debt. And actually we will probably get to a position fairly soon -- and I'm willing to bet on this -- I don't want be in the Congress at the time -- that before the year 2020, we will have to take some radical step as a nation in order to deal with our debt because if we allow it to go up under the present scenario, it becomes unsustainable. It's like a dog chasing its tail.

The practical implications are you either increase inflation in the economy and devalue the currency -- and that is a very hash thing to do to the American public because it devalues their savings and makes it harder for the economy to be productive -- or, two, you radically raise taxes to try to reach the obligations of the debt. And that also dramatically impacts the economy, makes us less productive, and means fewer jobs will be created.

Either one of those scenarios -- and only one of those two scenarios or maybe a combination will occur if we continue on our present course -- means that the next generation will actually have a lower standard of living than our generation. It means that it'll be much more difficult for the next generation of Americans to buy a house, send their kids to school, buy a car, to live the quality of lifestyle that we've had as a nation.

In fact, it will be the first time in history, if we stay on our present course, that one generation has handed to another generation a lower standard of prosperity and quality of life. It's inexcusable to do that. It is unacceptable. Nobody in this body who has a public responsibility to the next generation -- we all have that responsibility -- should do that to our children. And so, what are we going to do to address it?

Well, put very simply, we need to stop spending so much money. That's the bottom line. We need to stop spending so much money. Under the projections of this budget, as it is currently passed in this Congress under everybody on my side's objection -- it is projected that we are going to be in a situation where, as I said, there will be $1 trillion deficits for as far as the eye can see. The size of government spending will go from 20% of G.D.P. up to about 24%, 25%, or more, of G.D.P. if the health care bill is also passed. That will be the highest level of federal spending that has occurred in this government since World War II. We've never had those types of levels of spending.

And so it's not a revenue issue, although right now it is a revenue issue because obviously the economy is in a recession. But in the long run, it is primarily a spending issue because the fact is that we are spending a great deal more than we can afford as a nation on this government, and we have committed to a great deal more than we can afford. And so we need to do more on the spending side of the ledger.

There are going to be a series of proposals brought forward by our side. Senator Thune is going to offer one in a minute to try to get to this issue. They won't solve the whole problem but they will make significant steps down the road of restraining the spending and show we are starting to get serious about it. Senator Thune’s proposal is to end TARP. We don't need it anymore. We should take the dollars out of Congress’s hands. Senator Session’s proposal will address discretionary spending -- we should manage our discretionary side and resign some of the stimulus spending that’s going to occur after 2011. I know that Senator Coburn is going to suggest a series of rescissions. All of these are steps in the right direction.

And so I think on our side of the aisle today, the philosophy is this: it is irresponsible to increase the debt ceiling if you don't do something responsible about addressing what's driving the debt ceiling, which is spending. So we're going to suggest a series of initiatives around here that we believe are responsible on the issue of controlling spending, and I hope that those initiatives will be passed so that we can begin to put this country back on the road towards fiscal responsibility.

Mr. President, I yield the floor.

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