



BUDGET COMMITTEE



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**Senator Gregg's Senate Floor Remarks on the Conrad-Gregg Amendment to the Debt
Limit Bill
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(unofficial transcript)**

I rise to support the amendment offered by Senator Conrad, of which I'm a primary sponsor, to address what is the second-biggest threat our nation faces. Clearly the largest threat our nation faces is the fact that a terrorist that wishes to do us harm might get his or her hands on weapon of mass destruction and use it against us. That is our nation's greatest threat.

But after that, the biggest threat to this country is our fiscal situation, and the fact that we are on a path where our nation will go into bankruptcy because we will not be able to pay the debts which we are running up. You don't have to believe me on that. This is not exaggeration any longer. This is not hyperbole for the purpose of political events. This is just the way the numbers work.

This year, by the end of this year, our publicly held debt will exceed 60% of G.D.P. -- that's known as a tipping point when you owe that much money compared to how much you produce as a nation. Sixty percent is considered the tipping point towards an unsustainable situation.

Within 10 years -- I actually think it will occur sooner -- our publicly held debt will approach the 90% threshold. When you get into those ranges, you're basically in a situation like a dog chasing its tail. There's no way to catch yourself. There's no way to catch up with the amount of debt you're putting on the books. The cost of bearing that debt eats up your resources as a nation. It takes away from your productivity and your prosperity.

You know, this is not hysterics, as I said. This is just real honest projections on numbers which we already know exist. The proposal of the last budget from the President, which we are now functioning under, projects \$1 trillion of deficit every year for the next ten years. Today, we are taking up a debt ceiling increase, which is proposed at \$1.9 trillion. That's the increase, which will take the debt of our nation up to \$14 trillion.

And it's not the end of these requests for debt ceiling increases because we know the debt is going to continue to jump by over \$1 trillion a year every year as we move forward. This chart here reflects the severity of the situation. Historically, the federal government has used about 20% of the gross national product, that's what we cost the American people as a government. Just three programs -- Medicare, Social Security, and Medicaid -- before the year 2040 will amount to spending that exceeds 20% of the G.D.P., so everything else in the federal government, if we were to maintain our unusual spending level, couldn't be done -- our national defense, education, building roads -- all of those sorts of things couldn't be done.

But that doesn't stop there. In those three programs, the cost goes up astronomically as we go out into the future. And to pay those costs, we have to run up the debt of the United States at a rate that we have never seen. From 2008, it will double in five years; it will triple in ten years. Those are hard numbers. Our debt, as I said, will pass the 60% threshold later this year. Why is that considered a tipping point? Because to get into the European Union, they have a threshold which cannot be exceeded. A nation cannot have a public debt that exceeds 60% of G.D.P. and it can't have deficits that exceed 3% of its G.D.P. Our deficits for the next ten years will mostly be around 4.5% to 5.5% of G.D.P., and as I said, the public debt will be approaching 90% of G.D.P. by 2019. So we know we're on an unsustainable course.

What's the effect of that? What happens when we get our debt up so high? There are only two scenarios for our nation. One, we devalue the currency. That means inflation. That's a terrible thing to do to a nation. It takes everybody's savings and basically cuts them by whatever the inflation rate is. It means your currency can't buy as much as it used to. It means you can't be as productive a nation because you have an inflationary problem.

Or alternatively, you have to raise taxes at a rate which you essentially suffocate people's willingness to go out and create jobs and be productive, take risks, and you take the money that should have been used for the purposes of taking risks and building that local restaurant or that small business and creating jobs and you move it over to pay debt.

Where do you send it? You send it to China because they own so much of our debt. Or you send it to Saudi Arabia because they're the also a major owner of our debt, instead of investing it in the United States to make us more productive.

In either scenario, inflation or a massive increase in tax burden to pay interest on debt owed abroad leads to a lower standard of living for our children. So as a very practical matter, what is going to happen here to our nation under the facts which we know already exist is that we will, for the first time, pass on to the next generation a nation which is less prosperous, where there's less opportunity for our children and where the standard of living goes down rather than up. That's not acceptable. It's not fair. It's not right for one generation to do that to another. So we have to get our fiscal house in order.

Now, many would argue, well, that's your job. That's why we sent you to Congress. Do your job. Get the fiscal house in order. Limit spending. That would be the position of our side, and the other side's position would probably be to raise taxes. We know regular order does not work. Why? Because we've seen that. We've seen that it does not work. We know that when you make proposals around here on these big issues of public policies, specifically entitlement programs or tax reform, that you are immediately attacked if you make them on entitlement issues, and if you're a Republican, you're attacked from the left as trying to savage senior citizens. And if you make a proposal on tax reform, you're attacked from the right as trying to increase taxes on working Americans.

Usually those attacks are filled with hyperbole and gross misrepresentations in many instances. People send out these fund-raising letters. If you as a Republican ever say anything about Social Security as to how it can be reformed to be made more solvent, there is immediately a letter that goes out from this group called Citizens to Protect Social Security, or some other motherhood name that looks like a social security check and goes to Social Security recipients, and says if you don't send us \$25 today, Senator Gregg is going to savage your Social Security payments. So that little group in Washington takes in a lot of money -- doesn't do anything to affect Social Security money, but they have a good time going around the city with the money it makes.

In the process, the well gets poisoned and nothing can happen around here. And that's what happens: nothing happens. Nothing happens. Well, you know, that was maybe manageable for awhile, but it's not manageable any longer. We're headed towards a wall as a nation. We're headed toward an event where we will eventually be insolvent as a country. We'll become a banana republic situation where we can't meet the obligations of our debt. And the people to whom we owe money, many of whom are Chinese, are going to say I'm not going to lend you any more money, America, because I don't think you can pay it back because you've got too much debt. That's where we're headed. And we know it there. It used to be over the horizon, and so the Congress never worried about it.

It's not over the horizon anymore. We'll pass the 60% threshold just this year. We will pass it this year, and we'll run up to 90% within this ten-year budget cycle. Regular order has not worked. Some may argue, well, the health care bill was regular order. That sure didn't work. Folks, that didn't work, you know. It sent the cost curve up. It took resources which should have been used to address the Medicare insolvency situation and moved them over to create a new entitlement. It didn't work. Regular order has not worked around here because the politics don't allow it to work. The intensity of the community that defends these various issues won't allow constructive activity to occur under regular order.

So Senator Conrad and I came to the conclusion, since regular order doesn't work and since we know we're headed towards this cliff, shouldn't we do something? Shouldn't we try some other approach? Think outside the box? The conclusion Senator Conrad and I came to in a bipartisan way, because he's the Chairman of the Budget Committee -- I'm Ranking -- was let's set up a procedure which leads to policy, which leads to a vote, and guarantees that that procedure is absolutely fair, absolutely bipartisan in its execution. So I can't game members of the Democratic side. So the American people can look at the process and say that's fair. That's bipartisan. I have some confidence in that. And so this Commission, which is proposed in this amendment, does exactly that. It sets up a bipartisan fair process that requires supermajorities to produce policy and get a vote on those policies under fast track.

And let me get into a couple of specifics. There are 18 members on this commission. They all have their fingers or responsibility on the buttons around here. There will be 16 people from the Congress and two people from the Administration, which will include 10 Democrats and 8 Republicans. The Republicans will be appointed by the Republican leadership, the Democrats by the Democratic leadership. So the membership of this committee, everybody knows, will be people who reflect the philosophical views of the leaderships of the two parties. That group will meet and have public hearings, and they'll have an advisory group that has the constituencies that will want to be heard on this that will give them input. There will be a lot of public input. Then that group will have to come to a conclusion on the big issues that affect fiscal policies in this country.

The point here is that neither side is going to come to the table on this unless everybody is at the table. If I say no taxes on the table, why would anybody on the other side come to the table? If they say no to entitlement reform on the table, why would anybody on our side come to the table? Everything is on the table. Of course, the interest of the different parties on the issues like taxes and entitlements are protected by the way the membership of the Commission is appointed. Obviously the Republican leader isn't going to appoint to this Commission people who are going to go off on some tangent on tax policy which will be unacceptable to Republicans. And the same is true of the Democratic leader relative to entitlement reform.

So the Commission is made up of a balanced and fair approach. And when it reports, 14 of the 18 people have to vote for it. 14 of the 18. Neither side can game the other side because the majority of both sides have to be for whatever the report is. Okay?

Then it comes to the Congress, and 60% of the Congress has to vote for it. So neither side can be gamed. It has to be balanced. It is an up-or-down vote on the proposal. No amendments. Why no amendments? That's been a point of controversy. Some people say you've got to be able to amend it. No amendments because we all know what amendments are for on an issue like this. They're for hiding in the corners. That's what members do with amendments. They offer their amendment. It doesn't pass. Then they say, "I can't vote for this, my amendment didn't pass." It's called the hide-in-the-corner approach. That's why we don't have amendments. It's an up or down vote.

And the theory, of course, is that the membership of this Commission is going to be balanced -- which it will be. It's not theory. It's reality. It will be balanced. It will be bipartisan. It will include players who understand these issues in a very substantive way. And as a very practical matter, the results will be something that's politically doable. Will it be a magic wand that corrects the whole issue of this pending out-year insolvency of our country? No, absolutely not. But will it be a significant statement by the Congress of the United States that we recognize the seriousness of the situation we're in as a nation, that we recognize it is not fair for one generation to do this to another. It will be a message on all those points and it will be a positive message.

The markets will react by saying, "They're trying." The American people will react by saying, "Thank God there's finally a bipartisan effort to try to do something around here on this issue." And sure, it won't be the magic wand or the magic bullet that solves everything, but it will be a significant step, I suspect. I have confidence the persons who will serve on this Commission will be committed to that.

I realize this is outside the regular order, but the simple fact is that if we stand on regular order around here, we're going to go through a trap door because we're not going to stand up to the issues that are critical to putting us back on the road to solvency.

And so this is a proposal that is serious. It is bipartisan. And it has a fair amount of support -- 34 co-sponsors. It is a very big deal to have that many cosponsors on anything around here. And they're bipartisan. It's about half-and-half. I think it's 14-20. So I would hope that my colleagues would vote for this.

I understand that my colleagues are hearing, on our side of the aisle, they're hearing from a number of very credible people that they oppose this because they're worried about the tax side. And I understand on the other side of the aisle they're hearing from credible constituency groups because they're concerned about the impact on entitlements. Maybe that means we got it right. We got all these folks who are interest-group driven who are opposing it. I think it means we got it right. I think this is becoming our last chance to get something done here, that the course we're on now is coming to a point of being irreversible unless we do something like this. And I don't believe it's correct, as I said, for one generation of political leaders to pass a country that will be in total fiscal disarray on to the next generation. We have a responsibility to act, and this is a way to act.

Mr. President, I appreciate the courtesy of the members of the floor and yield the floor.