



BUDGET COMMITTEE

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**Senator Gregg's Opening Statement at Public Meeting of Fiscal Commission
December 1, 2010
(unofficial transcript)**

Let me join with everyone else on this commission in thanking you, the Chairmen, and your extraordinary staff for what you have done. First, in the way you managed these meetings; it has been intense, constant, thorough, informative and substantive, and I congratulate you for your leadership -- it's been a tremendous benefit for this nation.

I want to thank the folks on this commission. This is a pretty talented group of people. I don't want to say that about myself, but excepting myself and maybe Kent, it's a pretty talented group. The time and commitment has been extraordinary and the thought process and the ideas brought to the table have been exceptional.

As I look at this, this is about America's greatness. We are the most exceptional nation in the world, and the world is looking at us and saying, "How could such an exceptional nation have gotten in such trouble?"

How could we be on a path which is essentially going to drive us into some form of bankruptcy? It will be an unusual form of bankruptcy, but it will be a form of bankruptcy because our debt will be unsustainable and our capacity to pay the interest on that debt will threaten the value of our currency and the lifestyle of every American.

This is about Main Street. It's about where we go as a country.

We, as the people who are charged with the governance, have a responsibility to not let that happen.

You can't deny the facts. We are on a course which because of the demographic shift in this culture where we go from 35 million retired people to 70 million retired people over the next five to seven years and for other reasons -- which has generated a little bit of a debate around this table -- our government is growing at a rate that is simply unaffordable and unsustainable. The inevitable fact is that if it continues on this course, prosperity for Americans will be jeopardized and we will be the first generation in the history of this country to pass a less prosperous and secure nation onto our children and that is antithetical to the American culture.

The American culture demands that the next generation have more opportunity and be more secure than the prior generation. That's just the essence of what America is about. And so this really is about America's greatness.

Now, this product is not perfect, nor is it global. It doesn't even solve the problem. It just allows us to put in place a pathway that says to Americans and the world, "We are serious about doing something about the problem."

The problem will still be there even if everything in this proposal were adopted because we'd still have a debt to GDP ratio of between 60% and 70% by 2020 which is way above our historical position which should be no more than 40% if we're going to be really solvent.

But it is a package which does make a definitive step in the right direction, because it does significantly reduce the deficit and the debt, it does bend the increase in debt in the out-years, it does bring down the deficit and it addresses glaring problems with our fiscal policy.

Now, on the spending side of the ledger, on the discretionary side I think Republicans will be pretty comfortable with this, I would hope. I mean it goes down to 2008 baseline by 2013, that's rather dramatic action, actually, and there will be a lot of folks who will be upset about programmatic cuts and changes.

The tax policy is the big issue for those of us on my side of the aisle because there is a lot of tax policy in this plan that generates revenue and how the revenue is used is the issue. I have always found it unconscionable that we debate constantly about raising rates. Why do we debate about raising rates? That's not the issue in tax policy. What we should debate about is reducing rates, and how you reduce rates in a way that generates economic growth.

And so this proposal in this plan, the essence of it, the core of it, almost all of the revenues in the bill with the exception of the Social Security which is held in a separate account, is driven by a tax policy that takes us out of this box of debating whether or not we'll raise rates and into what I think is the proper playing field, which is how you get rates down dramatically and allow money to be invested for the purposes of creating prosperity and economic activity rather than to be invested for the purposes of avoiding taxes.

The Zero Plan is the ultimate on steroids, Reagan/Bradley tax reform. I was on the Ways and Means Committee in '86 when we did Reagan/Bradley and it took a lot of heavy lifting to eliminate that stuff and get the top rate down to 28%. This takes that approach and puts it in overdrive.

I happen to think if we did the Zero Plan, the explosion in economic activity in this country would be extraordinary, and the tax numbers in this bill would be almost

irrelevant. That's why Senator Crapo has insisted, because I think he sees that also to the extent that happens, that rates will continue to go down.

But the fact is, this is where the debate should be, in my opinion. It shouldn't be on whether we take them from 35% to 39% or 39% to 42%, it should be whether we take the rates 35% to 21% and get in the process a better tax law that delivers a more effective use of dollars and capital formation in this country. So I think as Republicans, even though there will be heartburn about where these proceeds go, because they are going to be a lot of proceeds, it is the right debate.

Social Security, as Senator Conrad says - and it has been an honor and privilege to work with Senator Conrad as Chairman of the Budget Committee, it was an even bigger honor to work with him when he was the ranking member on the Budget Committee. But it has been an honor to work with him as he has really drive the effort here to try recognize the regular order can't handle this issue and we have to step outside which is why this commission was created. But Social Security has been set off here and made solvent for 75 years and you can tinker with the ways it was done, but there are only 4 or 5 million parts in Social Security and everybody knows we have to address them.

But the issue of spending restraint and tax policy in this plan I think is moving dramatically in the right direction. The only issue remains health care, there is some attempt at health care initiatives in here but we've been through the health care debate. We'll have to revisit it. The commission made the right decision to not go to the core of that debate but eventually we will have to do substantive things which will impact health care.

In the end, whether this commission gets 14, 10, or 16 votes, I think this document becomes the memo that controls the meeting, to use Henry Kissinger's words. And in the end, today, we've reached a point where it's time to govern. It's that simple.

We either, as a nation, govern, or we risk losing our greatness and this is a template for beginning that governance and I congratulate you all for it and intend to support it.