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House of Representatives

VISCLOSKY OPPOSES THE BUDGET CONTROL ACT OF 2011

Mr. Speaker: I rise today in opposition to S. 365, the Budget Control Act of 2011. It defers decisions we should make today until tomorrow. It is abjectly inadequate. It eliminates dollars from our economic infrastructure at a time when our economy is again faltering. It provides continued funding for two wars leaving the defense industrial complex untouched. It is unjust to the next generation by not taking action now to ensure the long term continued solvency of Social Security and Medicare.

When President Bill Clinton left office in January 2001, the nonpartisan Congressional Budget Office (CBO) projected that we would pay off our national debt by Fiscal Year (FY) 2006 and that by 2011, the Federal Government would have a $2.3 trillion surplus. Today, we have a projected FY 2011 deficit of nearly $1.5 trillion and a massive $14.3 trillion national debt. Something happened and our nation has not faced a national debt of this magnitude since 1950.

Unmistakably, the economic recession played a role in leading us to our current predicament but I want to emphasize that this unprecedented and vast expansion in our debt has largely been the result of a series of decisions made by this body. A study conducted by the Pew Charitable Trusts, an independent, non-profit organization, concluded that new legislation enacted since January 2001 has been responsible for over two-thirds of the growth in our debt. The majority of the contributing legislation was enacted by President Bush, including his tax cuts of 2001 and 2003 and the war in Iraq, measures which I vehemently opposed.

As many are well aware, our debt has now grown so large that we must raise the current $14.3 trillion debt limit by tomorrow, in order to avoid defaulting on our loans. Failure to do so would be irresponsible, calling into question the full faith and credit of the United States government unduly harming every American. Should the limit not be raised, the government would have to stop, limit, or delay payments on a broad range of legal obligations, including Social Security and Medicare benefits, military salaries, interest on the national debt, and many other commitments. Further, financial firms estimate that default could cause interest rates on Treasury bonds to rise .006-.01% causing the cost of owning a home, filling a gas tank, sending children to college and buying a car to become even more expensive, squeezing already tight family budgets.

The need to address this crisis also brings with it an opportunity to make serious, long-lasting policy changes, providing a comprehensive solution that will put our country on the road to a strong, fiscally-sustainable economic future. However, there is no simple or painless solution to our current predicament. For example, if we eliminated the entire federal government this fiscal year – no federal courts or prisons, no border security, no care for veterans, no White House, no Congress, nothing – and only kept the Department of Defense, entitlement programs such as Social Security, Medicare, and interest on the national debt, and did not touch taxes, our deficit for FY 2011 would still be $817 billion.

We must make substantive and balanced decisions taking our cue from recent history. When our budget was balanced in 1969 and for four years from 1998 to 2001, tax revenues and federal spending represented around 20 percent of our gross domestic product (GDP), the overall size of the economy. Today, revenues are around 14.8 percent and spending is nearly 24.7 of GDP. These two extremes cannot continue if we are to balance the budget and provide for a sound economy for future generations.

That is why any serious proposal to reduce the deficit must be comprehensive, and address all spending programs, including domestic discretionary spending, defense spending, as well as entitlement spending, such as Social Security and Medicare, and the other half of the equation, taxes and the inequalities in the tax code.

We have already begun to take steps to reduce domestic discretionary spending. For example, as Ranking Member of the Energy and Water Subcommittee, I worked long and hard with my Chairman, Rodney Frelinghuysen, to reduce spending in the FY 2012 Energy and Water Appropriations Act by $2.826 billion below the FY 2010 funding level. Our subcommittee looked at each program and made a myriad of decisions, some to increase spending and some to reduce it, given the purpose and value of each program. Previously, I supported the Department of Defense and Full Year Continuing Appropriations Act of 2011, which reduced spending by $38 billion below the previous year's budget.

Our fiscal crisis, however, cannot be solved by only addressing the discretionary spending. We must also make thoughtful decisions about our entitlement programs, such as Social Security and Medicare, not only to rein in their growth but also to preserve their solvency for future generations.

There are many options that would extend the long term solvency of the Social Security program past 2036, its current estimated solvency date. For example, raising the so-called "tax cap" on employees would extend the solvency of the program past 2057. For 2011, Social Security taxable earnings are limited to $106,800. I do not believe that the Social Security tax rate should be raised. However, as a wage tax, I believe the Social Security tax should be paid on all wages. This would create a more equitable system without changing any benefits. If the tax is good enough for every dollar earned by someone waiting tables at a local diner or working in the mill then it is good enough for every dollar earned by someone working on Wall Street.

Similar changes can be made to Medicare to ensure its long-term solvency and its existence for future generations. For example, the Secretary of Health and Human Services is prohibited by law from negotiating drug prices on behalf of Medicare Part D beneficiaries. I believe that this law should be repealed, as it would save the federal government an estimated $156 billion over ten years and lower drug costs for seniors.

Which brings me to the most contentious side of the equation, taxes. Let me first remind my colleagues that currently, tax revenues are around 14.8 percent of GDP, the lowest it has been since 1950. But what makes our current tax code so abhorrent is not the fact that it is unsustainable, but the fact that it is disparately unequal. For example, from 2008 to 2010, 12 corporations, including Wells Fargo and General Electric, made a combined $171 billion in profits, but paid no federal corporate tax as a result of a convoluted tax code, while my constituents were paying their income taxes. Further, last year the top 25 hedge fund managers alone had combined incomes of $22 billion yet they paid a lower tax rate than a fire fighter from Crown Point, Indiana. Where is the outrage that over a tax code that allows Wall Street to pay a lower tax rate than a person risking his or her life for our safety?

At a time when our country faces its biggest financial crisis in decades, it is reprehensible that our tax code allows companies, including some of the most profitable in the nation, to exploit loopholes and credits in the tax code to eliminate their tax liabilities. Currently, the U.S. tax code contains over 200 tax loopholes or credits amounting to approximately $1.2 trillion in forgone revenue each year. These loopholes have the same effect on the federal budget as spending programs without being subject to the same public debate and annual evaluation as part of the appropriations process. If we are to address our growing national debt, this spending through the tax code must be reined in. All Americans and American companies should make a contribution to our shared society.

We owe it to the next generation to solve this crisis, and swiftly. As our nation remains consumed by the ongoing deficit discussion, this body continues to avoid taking action on its most basic duties. For example, funding for the Federal Aviation Administration (FAA) expired in 2007. Since then, this body has temporarily extended the Administration's authorization 20 times. Earlier this year, both the House and the Senate finally passed separate FAA reauthorization legislation. Over 100 days have passed and we have yet to take action to resolve differences between the two versions and last week, funding for the FAA expired, causing 4,000 employees to be sent home without pay, 219 construction projects to be halted and $200 million to be lost in tax revenue. I fear that this measure, which even if enacted today will mandate votes down the road and prolong our single-minded focus on the debt ceiling. I urge my colleagues to work together to compromise budget options so that we can continue the work we were sent here to do.

The key to confronting our fiscal challenge must be balancing cuts in spending and raising revenue while making the necessary investments in our nation's infrastructure and future. The road to fiscal solvency will be difficult, and tough decisions will need to be made. These decisions are not made in this bill and I am opposed to it.