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Senator Judd Gregg's Floor Remarks on
Fiscal Year 2008 Budget Conference Report
(Unofficial Transcript)

Mr.Gregg: Let me begin by returning the expression of appreciation.

Obviously there are strong disagreements on philosophy and policy here. It's the differences between the parties. The Senator from North Dakota represents the party of tax-and-spend, we represent the party of restraint and fiscal responsibility. And those differences are quite clear in this budget. But independent of those differences, the relationship is friendly and courteous, professional and I think constructive to the institution generally. And quite honestly, I think if the whole institution functioned the way the Budget Committee functioned, we'd get a heck of a lot more done around here.

That being said, I must point out some differences. I'm inclined to almost use -- to paraphrase that quip, I think it was Mark Twain – it might have been Bill Buckley. If it was Bill Buckley, I really apologize to the Senator from North Dakota, who said, I do not wish to insult the Senator's intelligence by suggesting that he actually believed most of what he just said. The fact is that this budget, as it is proposed, is not a good budget. It does have the largest tax increase in the history. And it's a tax increase which is especially unfortunate because it's going to take place in the context of a tax law which we finally sort of got right around here -- as is shown by the revenues that are flowing into the federal government, and the fact that the present tax law is generating more revenues to the federal government than historically the federal government has received.

And it's doing it in a more progressive way than has historically been the federal tax system. In fact, our present law actually has high-income people paying more in taxes than they've historically paid and low-income people getting more back in the way of tax benefit than they've historically gotten. And so this bill, which basically will repeal most of the major tax proposals that were put in place in the early part of this Administration -- which generated this economic recovery that's gone on for 22 months and has caused us to have 7.4 million jobs and we're literally under 300,000 in jobs claims, which is a number that shows that we're essentially at full employment. As a nation, we're under 4.4% unemployment number. And the jobs that are being created are good jobs and they're generating revenues to this government, which has caused us to have a huge burst in revenues which has caused the deficit to come down. That is all going to be put at risk by this -- by the tax increases in this bill.

The tax increases in this bill are going to dramatically affect the capital gains rate, the dividends rate, the child tax credit, the education tax credit, the marriage tax penalty relief, the middle-class income tax rates -- all those things are at serious jeopardy, and, in fact, will probably end up being repealed under this tax -- under this budget if this budget goes forward under this present structure. And we'll get into that in a second because they've created this extremely complex trigger mechanism which can be undermined, and will be undermined, by their own budget should it go forward, making it virtually impossible for any of these tax cuts to survive in the process that's been proposed here. $736 billion of tax increases in this budget over five years. The largest tax increase in the history of this country. No question about it.

In addition, the spending in this budget, the discretionary spending in this budget, is huge. $205 billion of new discretionary spending over the President's request. And the President's requests were very generous -- very significant increases in spending. And it's ironic, as it left the Senate, there was less spending than this. There was still a significant increase. As it left the House, it was less than this, I believe. I don't even think it was $200 billion. It comes back at $205 billion. It's sort of like one of those microwave popcorn cookers, where you put it in the stove and the stove being -- the House Democrats and the Senate Democrats together and it blows up into a great big, huge spending package. And a great, big huge deficit, great, big huge tax package too.

And debt goes up under this bill. $2.5 trillion will be added to the famous wall of debt. For those of you who haven't seen the wall of debt, you'll see it sometime, somewhere. It's coming. $2.5 trillion in new debt is added here. And remember, most of that – on top of that, they're raiding the Social Security fund to a tune of a trillion dollars.

Now, originally when the budget left the Senate, at least the Social Security fund under their projections, which were rosy scenarios, to say the least, under their projections, at least in the last year, wasn't going to be raided -- there was going to be an on-balance budget here. But now as it comes back again from this tax-and-spend microwave called the Senate Democrat-House Democrat budget conference -- which we weren't included in -- there's no on-budget surplus. Everything comes out of the Social Security fund. All this debt is added to our children's backs and is going to have to be paid for by our children.

In addition, there is absolutely no attempt to address the entitlement crisis that we're facing. The fact that our children, and our children's children, are going to have to pay a cost which they simply will not be able to afford in the area of maintaining the benefit structure because of the retirement of the baby-boom generation, the fact that that cost will actually exceed 20% to 30% -- 25% of Gross National Product just for the programs of Social Security, Medicare and Medicaid. And there's no attempt to rein that coming fiscal meltdown in or to address it. Totally irresponsible. In fact, not only is there no attempt to address the coming fiscal meltdown as a result of entitlement spending, there is actually a huge exercise in gamesmanship in this budget which will allow the HELP

Committee under the leadership of Senator Kennedy to dramatically expand entitlement spending. Dramatically expand entitlement spending. So instead of reining in entitlement spending, there is in this budget a proposal to use reconciliation, which is supposed to reduce the deficit on the spending side of the ledger, to expand spending, expand the size of the federal government, and grow the government.

And why do they do that? Because they only need 51 votes under reconciliation and they know that they couldn't get that proposal through here because it would be subject to a filibuster if they had to use the regular order. So they have used reconciliation, which is supposed to limit the size of government, to expand government dramatically. A very cynical act, in my opinion, a very cynical act, because that was never the purpose of the budget act. And, in fact, there are some very good quotes from the Senate, from the Chairman of the Committee, reflecting that exact position, the position I just related, which brings me back to that statement, you know, the Mark Twain statement – could have been Bill Buckley -- that said – I won't insult the Senator's intelligence by suggesting he actually believed what he just said.

Because he didn't believe what he just said because actually what he just said was just the opposite. Or he did say the opposite, that reconciliation shouldn't be used this way, the way it's being used in this bill. And in fact, the Senator from North Dakota has made a couple other statements that I think were on point when they were made. Unfortunately the budget doesn't reflect those statements. He said, we need to be tough on spending. And yet in this budget, there are zero cuts -- zero cuts – in spending. In fact, there's this $205 billion expansion of discretionary spending. Entitlement spending will expand under the reconciliation instructions, and under the reserve funds, they will grow as a relation to Gross National Product and we'll have to bear the burden of that.

The Senator also said, "I have said I'm prepared to get savings you tell of long-term entitlement programs." But there are no significant long-term entitlement programs. There was once a representation they were going to do $150 billion of savings. But of course that representation was a little bit incomplete because the rest of the sentence should have said, but we're going to spend $50 billion. So there's actually no savings. I think it ended up at $30 billion but in any event, it's a net loss in the entitlement accounts. Coupled with this reconciliation exercise, which could be as high as a $30 billion to $40 billion increase in spending.

He also said, here is where we are headed. Debt is up, up and away. Yes, it is up, up and away under this budget. That was a correct statement. It's up, up and away. It's up, up and away by $2.5 trillion of new debt which the American people -- which our generation passes on to the next generation. And he said, "I believe first of all we need more revenue." Well again, he at least stuck to that statement. There's $736 billion of new taxes in this bill. $736 billion. And what's the practical effect of a $736 billion tax increase? Well, remember, as I outlined it before -- we have now had 22 consecutive quarters of economic growth. Actually it's 23 now. That's pretty darn good. That's pretty darn good. We've added 7.8 million new jobs, and that's people being put to work. How did that happen? Well, it happened in large part because we had an economy that was growing as a result of a tax policy which said to people in America, go out, invest, take risks, be entrepreneurs, create jobs, and we're going to give a reasonable return on the money that you've invested. This is just called common sense and human nature. If you tax people at rate that they appreciate, they will take risks with their money, go out and invest it and create jobs. If you tax them at a rate which they don't think is fair, then what they do is they invest in tax shelters and inefficiently use their money, and as a result, government gets less and the economy doesn't grow as much.

In fact, the growth in federal revenues over the last few years has exceeded projections, and been dramatically higher in the last three years -- the highest rate of growth in the history of our country and has represented huge amounts of revenue coming into the federal government. Huge amounts of revenue. This revenue, of course, has allowed us to reduce the deficit from what was projected to be $450 billion deficit just a couple years ago. It's now going to fall -- probably fall below $200 billion or less than 1% probably of Gross National Product or somewhere in that range. And it's in large part a function of two things. One, the fact that these revenues have jumped so high. And two, the fact that this Administration has been very aggressive in controlling non-defense discretionary spending.

But under this proposal which has been brought forward today by our colleagues on the other side of the aisle, the tax policies which have generated this economic expansion are targeted for extinction. Capital gains rate will jump back to almost 30%, 25% potentially, dividend rates will jump from -- to 25%, 32%, 35%, but the bottom rate for most taxpayers who are on the lower end of the economic scale will be increased. And there will be created a huge disincentive for people to be productive in our society. We'll go back to the days when it just didn't make a whole lot of sense to go out there and take that risk because the government was going to take so much of your money.

And we hear a lot from the other side of the aisle, well, these tax cuts they disproportionately benefited the wealthy in America. I think it's important to remember this that under the new tax law or the tax law we're functioning under, which is generating all this huge revenue, high income people pay a larger percentage of the general burden of taxes, income taxes than they did under the Clinton years. The top 20% of people with income taxes are paying 85%, 85% of the income tax burden is borne by the top 20%. In the Clinton years, those folks in that same income bracket bore 81% of the tax burden. And the lower end of our economy, people who don't make quite so much money or don't make a great deal of money, the bottom 40%, they don't pay any taxes, actually, on balance, any income taxes. They actually get money back under the Earned Income Tax Credit. And today they're getting twice as much back as they did under the Clinton years. And it's interesting to note, in fact, that in that group that the low-income household receives far more in government benefits than they ever pay in taxes. And that's an interesting fact which should be pointed out as well as the fact that just on the tax side of the ledger, they get more money back. Whereas, the higher income individual, of course, pays a lot more into the federal government than they ever get back from the federal government, and that's what this chart shows. If your income is up to $23,000, you're going to get about $31,000. If your income is over $65,000, you're going to pay about $50,000. It's a very interesting fact that when you take not only the tax burden to Americans, but the benefits which Americans re receive, the low-income Americans are, under this government, under the Bush Administration, getting a huge benefit from the government in the area of tax benefits and also benefits which are structured on the basis of income, and that high-income Americans are paying a significant amount more for the cost of the government. So we have a tax structure which is extremely progressive and which is much more progressive than under the Clinton years.

And in addition, this budget which has such an antipathy towards productive Americans, which essentially says to productive Americans, ‘We don't like you, we want to tax you some more,” in trying to get at those folks who the other side of the aisle thinks are such scofflaws because they make money and have income and actually pay 85% of the burden of income taxes in this country. And in trying to get at those folks by raising the dividend tax and raising the capital gains tax, which is the primary target of the other side of the aisle, they're actually significantly impacting low-income seniors -- and seniors generally, and this should just be common sense because most seniors receive income other than Social Security, or that is dividend-based because they're not working any longer.

And so when the other side of the aisle decides they want to get people who have dividend income, which is exactly what this budget proposes, they're going to get those folks because they're the enemy, who they're really getting for the most part are senior citizens -- 51% of America's seniors have dividend income. So when they decide to double or triple the dividend tax or double or 2.5 times increase it, which is what this bill will do, the people that are going to be impacted are 50% of the seniors. And in the area of capital gains, the same is true. When they decide to get people who make money by selling as assets, you know, all those wealthy small businessmen, you know, the guy who all his life has worked to build a restaurant or a small company or maybe a gas station, spent his whole life working to get that business up to a level where it had some asset value and then when he or she retires, they're not going to run it any longer, they're going to sell it, they're going to take those revenues and they're going to use it to live on in their retirement years or maybe to help their children out, that evil person who's done that in our society, as the other side of the aisle views that person, they're going to get them by doubling the capital gains rate. And who do they get? Well, they get people who are 65 to 74 years old. 30% of those people have capital gains income. And people as they start to age into their retirement years start to generate capital gains income.

It's logical, you know, when you get to that age you're going to want to sell those assets which probably you built with the hard sweat of yourself and your family, a farm or a restaurant or a small company, so that you can take those assets and live on them in retirement and live a good retirement life or simply help your children out as they move forward in their life. And so when they get those people, who are they getting? They're getting retired people with this. They're raising their taxes.

Now, we're going to hear some of this Wizard of Oz language about how, well, with we really don't raise those taxes. We really don't. There's $180 billion of adjustments in the year that we're going to be able to put towards capital gains or something else. You know, it's such a fraudulent statement it's almost worth not responding to, but let me move to the factual response, which is this: there is no capacity in this budget to institute any significant attempt to continue or to make permanent dividends and capital gains rates. And in fact, if that $180 billion were even to appear, which it will not in this budget, which I'll get to in a second, would benefit miscellaneous deductions which are good, and right, and appropriate, but actually don't help the economy all that much because mostly they're socially driven. They involve the marriage tax penalty, they involve children's tax credits, they involve tuition tax credits, but they're not economic drivers, they're not like dividends rates and capital gains rates which translate immediately into a better investment of funds.

But this trigger -- what they've done is they've said well, we'll give you that $180 billion if certain events occur in the third or fourth year of this budget. Well, this is a Rube Goldberg exercise here. It's like when you've got 16 different moving parts and you don't know if any of them are going to work, but they claim they're going to work so you can do something that you know is never going to occur, that's exactly what this is all about. For this $180 billion to kick in the Democratic tax trigger requires the following: a budget resolution -- oh, we've got the Goldberg chart, that's hot off the press. That's one of our better charts. It took a little bit of thought on that one.

In order to get this tax cut or any part of it, the following has to happen. There has to be a budget resolution promising middle class tax cuts -- well, that's here, we got that, we're giving to you in the promise, we're just not giving them to you, the tax writing committee marks up the legislation, but it stalls. Why does it stall? Because the way this thing works is there has to be offsets that can be found to satisfy the tax cuts, but if the Congress continues to spend money, that undermines the capacity to reach the factual obligation by which you would create the tax cut. So you can basically spend your way out of doing the tax cuts, which is exactly what the budget proposes. I mean it proposes the tax cuts and then it proposes $205 billion of new spending in the discretionary accounts. It proposes a huge expansion in spending in the entitlement accounts, so it essentially guarantees that the trigger, which allegedly is in place, can't occur to generate the tax cuts because the spending eats away at the out-years surpluses, and of course, that leads to the business community getting a little skittish, it leads to the investors getting a little skittish, it leads to the economy starting to contract, which leads to a slower rate of growth, which leads to less tax revenues, which leads to -- surprise, they're not going to give you the tax cuts. A self-fulfilling prophecy.

It's a trigger that's guaranteed that when it's pulled, nothing happens. It's like a Goldberg event. There was some language, which I loved -- I’ve got to see if I can find it here -- that described this in the budget resolution. It's really fascinating. It's just so good that it can't not be mentioned here. That language that defines how you get to this tax cut. They want to destroy the ability to do this tax cut that even in the language of the budget itself they put in obfuscating language which is just filled with such obfuscation that you know on the face of it that nobody takes seriously the idea of doing the tax cuts.

And that's reasonable, because let's face it, that is not the philosophy of the party of the other side of the aisle. The party of the other side of the aisle has shown itself historically to be a party that believes it's not your money. It's not your money. You know, it really isn't your money. It's their money. You just haven't figured out yet that you earned it and you really think you should be able to spend it. You haven't figured out yet that they think you earned it for them and that the government should be able to spend it. And that's been the philosophy of this party for a long time. It doesn't change over the years very much. And now that they're back in a position of some responsibility, considerable responsibility, they're the party in both the Senate and the House, they have the capacity to execute that strategy, which is we'll take your money and we'll spend it on what we think is important because we're smarter than you, we know better what you need, and therefore, it shouldn't be your money in the first place just because you earned it. The government has a right to it and the government should make a decision as to how it's best spent and how it's best handled. And so it should not come as a surprise to anyone that this budget is replete with new spending and dramatic expansions in taxes. I did find the language which I'd seen in the conference report, which is so, so interesting. It has to be read for the record.

This is how this trigger works. It's written like a reserve trust fund, which is, on its face a shell event -- almost all these trust funds are shell events, by the way -- these trust funds are structured, so we started out with five or six, now we've got 23 of them in this thing. Reserve funds, not a trust fund, I'm sorry, reserve fund. I used the wrong term. Very inappropriate term. A reverse reserve fund. In the House -- and this is the way it works, the Chairman of the House Budget Committee will increase the revenue aggregate. In other words, will take away the tax cut role if he determines that future tax relief legislation, and this is the language I love -- quote -- "Does not contain a provision consistent with the provision set forth in the joint statement of the managers." What's the joint statement of the managers say? The statement of managers says that the future tax relief legislation must contain a provision that makes the tax relief contingent on OMB projection of a surplus. The second trigger would turn off the tax cuts unless a minimum surplus materialized and the tax cuts can be $179.8 billion or 80% of the projected surplus, whichever is less. Rube Goldberg couldn't have written this language any better. I mean, this language is designed to fail. Designed to make sure that the government gets that money, you don't get to keep it and the government makes the decision as to where it's spent. And it's unfortunate.

We also have in this budget regrettably a total failure to address the entitlement accounts. Entitlement accounts are by far the most serious issue we have as a government and as a people. Beyond the threat of being attacked by Islamic extremists with a weapon of mass destruction. Now, why do I say that? That sounds like a statement that's a little over the top. Well, it's not. The simple fact is, that as the baby-boom generation retires -- and it is going to retire. We exist. There are 80 million of us. We are going to double the size of the number of retirees in this country. And as I've said before on this floor -- and I know the Senator from North Dakota agrees with me -- this system is not structured to handle the retirement of a generation that's that large. The whole concept of our system of retirement benefits was that there would always be a pyramid, that there would always be many more people paying into it than took out of it. That was the genius of Franklin Roosevelt when he created the Social Security system. And, in fact, when it started, there were. There were about 12 people paying in for everyone person taking out in 1950. And today there are about 3 1/2 people paying in for every one person taking out. But by the time the baby-boom generation is in full retirement, we will have two people paying in for everyone person taking out, and the practical effect will be a meltdown of our system. And this chart reflects it. I've shown this before because I think this is probably the most serious issue which we face beyond the issue of the threat of Islamic fundamentalism and the terrorist threat that they represent.

Just three accounts -- Social Security, Medicare, and Medicaid -- by the middle of the period 2020, when the full force of the baby boom retirement is in place, those three programs will absorb 20% of Gross National Product. 20% of Gross National Product is what the federal government spends today. Another way to state this is that at that time, the federal government will have no money left over for national defense, education, laying out roads, environmental protection. All the money will have to go to those three programs. But it doesn't stop there. The number continues to go up. At a rate which is incredible and which is just totally unsustainable, until it hits about 27%, 28% of Gross National Product just for those three programs, by about 2035.

Now, this is a situation which will mean, because it is going to occur, that our children and our children's children -- these pages down here who do such a great job and who are so personable and put up with our foolishness around here sometimes -- they're going to have to pay a burden in taxes in order to support our generation which will make it virtually impossible for them to have as high a quality life as we've had as a generation. They won't be able to buy that home or put their children through college or just have the enjoyment of a lifestyle that has discretionary funds because those funds will have to be spent through taxes to support these programs. These three programs. And regrettably, this budget does nothing -- zero, to address this looming crisis. And it's an act that I think fails our obligations as a generation.

We're the governance party now. We are in the sense that most of us in this room who serve here today are baby boom members. There are some who aren't. It is inappropriate of us as a generation not to try to solve a problem which we're going to create for our children and our grandchildren. And yet this budget does nothing to do that. And, in fact, it aggravates it by suddenly creating this new concept that you can use reconciliation to expand and grow the size of government dramatically, which is exactly what it does. Which is unfortunate, and which is a terrible precedent for us as a government to have pursued.

There was a proposal that came from the Administration which was reasonable, which would have reduced the out-year Medicare liability, unfunded liability, by almost 25%. It would not have affected recipients except for those at the high end because all it did that impacted recipients was suggest that people like Warren Buffett, or retired Senators, for example, should pay a fair share of their burden of their cost of Medicare Part D. Under Medicare Part D today, which is the drug program, if you're retired, it doesn't matter how wealthy you are, you still get the benefit fully subsidized by working Americans. So that person who's working as a waitress or on an industrial line somewhere or in a gas station, that person's taxes are subsidizing Warren Buffett's drug benefit, assuming he takes advantage of Part D, which being the conservative individual that I think he is, he probably does -- maybe he doesn't; I don't know whether he does -- but that -- a retired Senator's drug benefit is subsidized by a working American today, well, that's wrong.

I mean, obviously if you've got that type of income -- and what the President suggested was that people over $80,000 of individual income or $160,000 of joint income -- that's a lot of money -- should have to pay the full cost of their drug benefit, or at least a high percentage of the cost of their drug benefit. And that was rejected. That was rejected by the other side of the aisle. What a small step which would have translated into a very significant savings in the long-run, which was totally reasonable, which was simply not pursued or brought to the table by the other side of the aisle. I mean, if they're going to do reconciliation instructions which expands program in this country dramatically, which is what this bill does, they ought to at least do reconciliation which says to the Finance Committee, make former Senators pay the full costs of the drug benefit and people with income over $160,000 or a large percentage of the cost of the drug benefit.

But they didn't. At they have passed completely on that opportunity, even though it was a totally reasonable opportunity and something that should be done. It should be done soon, because the problem is like that Fram oil filter ad that they used to have about ten years ago, I think, that said you can pay me now or you can pay me later. Well, the "later" is going to bankrupt our children and our children's children. The paying today, the doing the fixing today translates into long-term huge savings and it's certainly something that should be done. But it was passed on in this budget.

So what the practical effect of this budget is, is pretty simple. It's a big-spending, big-taxing, classic budget that comes from the left. Increases taxes by $730 billion, increases discretionary spending by $205 billion, raises the Social Security fund to the tune of a trillion dollars, increases the debt of the federal government by $2.5 trillion, dramatically expands the obligation which we're passing on to our children and our children will have to pay, eliminates some tax cuts which have caused this economy to grow and be vibrant and have created jobs and generated huge revenues to the federal government, and fails even just a little bit, like asking former Senators and wealthy Americans to pay the cost of their drug benefit, to address the looming crisis which we face as a nation, which is the Medicare-Social Security burden which we're going to pass on to our children.

So it is a not a budget which I would recommend. I appreciate the Senator from North Dakota, and his energy in pursuing it. And oh, there's just one other small point. In the area of discipline, fiscal discipline, we hear all this talk of Pay-Go. They shouldn't call this Pay-Go. They should call this Swiss-Cheese-Go. Because it's targeted to just pick up the things that they don't like, like tax cuts, but the things that they like, they they've basically exempted from it, like agricultural entitlement spending. So it's a “choose the things you like” Pay-Go – or choose the things you don't like Pay-Go. So that enforcement mechanism is really -- it's a nice term, it's a term of motherhood but it's not going to have much discipline on the spending side of the ledger.

And in addition, there are no caps out in the out years. For some reason, even at these very high spending numbers, which are really egregious in their excess, they have put no caps in for 2009 or 2010. They've got them in there for 2008 but not beyond that. And they've used advanced appropriations, they've expanded advanced appropriations, which is a way to basically get around caps to begin with over what they've traditionally been.

I understand that the President has sent up a letter -- or his OMB director has -- that says that they are going to try to discipline the fiscal process through the veto on appropriations bills. But we know the way that the President can be put in an untenable position because they can roll all these appropriations into the defense bill and make it virtually impossible for the President to aggressively and effectively use the veto. But it shouldn't be up to the President to discipline this place. We should do it. And there should be effective points of order retained and carried out.

In fact, the Pay-Go point of order, they so neutralized it that they decided they wouldn't even do it year-by-year. They decided to put a five-year calculation of Pay-Go. This is all inside politics around here, or inside substance, but the practical effect of that is you can take credit for something you think is going to happen in the out-years, when you know five-year scoring sometimes is a little sketchy, and do spending this year in the claim that you're going to save something five years from now and claim that you've avoided Pay-Go. It's a game. It's a way to game Pay-Go on the spending side of the ledger.

So they've basically eviscerated a whole series of what are important spending restraints around here or at least they've skewed them in a way that makes the spending more capable of occurring and, of course, tax cuts will be aggressively disciplined so that they can't occur. Because it's not your money. It's their money. You've got to always remember that. This budget is based on the basic theme that really, it's not your money, it's the government's money. And we as a Congress allow you to keep some percentage of what you earn. But most of what you earn, we really want, and we're going to spend for you. And this budget does it very well. Mr. President, I yield the floor.