



BUDGET COMMITTEE



Judd Gregg, Ranking Member
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**Senator Gregg's Senate Floor Statement on Motions to Instruct Conferees
of the Fiscal Year 2010 Budget Resolution Conference
April 23, 2009
(unofficial transcript)**

Let me begin by saying that I think it is terribly unsportsmanlike for the Chairman of the Committee to say such nice things about me to disarm my ability to effectively attack his budget. But he and his staff are very good to work with. He is a professional. He is committed. He genuinely believes, as I do, this country's out-year fiscal situation is not a sustainable event, and we're trying to work together to try to address that.

We hope we can gather others to join us in this effort. I suspect that he has water to carry around here, and he carries it extraordinarily well on behalf of his constituency, which is the Democratic Caucus and the President of the United States, and I congratulate him for the exceptional job he does.

That being said, let's begin where the Chairman leaves off accurately and correctly in saying that the course that we are on is unsustainable. What does unsustainable mean? It is one of those terms of art we use around here.

It means by the time this budget runs its course -- not necessarily the Chairman's budget, but the President's budget, because the President's was a 10-year budget -- we will have passed on to our children a debt which will have tripled; a deficit which will have averaged every year for the ten years \$1 trillion or more; and a national public debt -- that's the debt that we owe to the Chinese, to the Japanese, and to our own people who own a fair portion of our debt -- which will have doubled as a percent of our GDP, going up to 80% of our GDP.

What does all of that mean? It means essentially that we will have built a debt in this nation which our children will not be able to afford to pay down. Just the interest on that debt alone as we move into the later years of this budget will exceed anything else in the budget as a line item on the discretionary side of the ledger.

The interest alone will exceed all of the money that we spend on national defense. It will exceed by a factor of three, or four, or maybe even eight, accounts like education, housing, veterans' affairs, and health. The deficits will have been so large for so long that

the debt will have grown to a point that there is no logical way or fair way that our children and our children's children, who have to pay this debt will be able to do it in a manner that would leave them with a nation that is as strong and as prosperous as the nation that was given us.

To put it another way, at the end of this budget, after these ten years are over, and, really, beginning in about the third and fourth year of this budget, the spend willing be so out of control at the federal level, the growth of the government will have occurred at such a rapid rate, that we will have created a debt structure which will mean that our children will have about three choices in their future.

The first is that there will be a dramatic increase in inflation. We'll try to pay this debt off with inflated dollars. Now, there is nothing more regressive or harmful that a society can put on its people than to have uncontrolled inflation or massive inflation. But that's what one of the choices is.

The other choice is that we will raise taxes to a level that they will be so high that we will essentially tax away the opportunity of our children to do things which were considered to be commonplace for our generation. Buy a home, send their kids to college, invest in a small business, take a risk, and create a job. All of that will be taxed away because the tax rates would have to get up to such a level to pay this debt off that we will no longer be able to have that type of prosperity.

And the third course of action, equally untenable, is that the dollar gets devalued, which is to some extent an inflationary event, and people stop buying our debt. They simply say, 'I don't believe you, the people of the United States, can pay this debt off. You are not going to be able to produce enough productivity to be able to do it.' And that leads to an implosion of our economy that I can't calculate or comprehend, but it is much worse than what we confront today.

I am not coming to this floor and saying it is irresponsible for this economy this year and next year. We recognize this economy is in stress and that the only source of liquidity for our economy is our national government and that the Federal Reserve has become the lender of first resort. But that is a short-run issue.

The problem with this budget that time of spending that has to be done now is not curtailed after two years. It is not reined in. It is not reduced or even leveled off. It continues up and up and up in the third year, the fourth year, the fifth year, the sixth year of the budget, the spending continues to go up on a path that's extraordinarily steep so that the cost to the government today has historically been 20% of GDP jumps to 21%, 22%, 23% and if you go outside the window and assume these numbers compound, you get to 28%, 29% of GDP.

You cannot sustain an economy with that type of cost. A few charts to try to put this in perspective. The first chart is on the debt. The budget as proposed by the President -- and why do I keep talking about the President's budget rather than the Chairman's budget?

Because the President's Director of OMB said they are essentially the same, and they ARE essentially the same. The differences are at the margin, and they're really not arguable. The biggest difference is the Chairman's budget goes for five years. It doesn't go for ten years. And by leaving off the second five years, you don't talk about you essentially hide some of the most dramatic effects of this spending binge.

The President's budget increases taxes by \$1.5 trillion. It increases discretionary spending by \$1.4 trillion. It increases mandatory spending by \$1.1 trillion. And this number, this \$1.1 trillion is grossly underestimated. What does the budget do in the area of savings? On the mandatory side it does nothing, absolutely nothing in the area of savings. In fact, the few discretionary savings that he sent up which I happen to support, were dropped in the Chairman's mark, especially in the area of agriculture.

So, as we have said and some people have heard it before, it spends too much, it taxes too much, and it borrows too much as a budget. What it doesn't do is save too much. And that's where it gets into trouble. The practical effect of this budget structure is that it takes the federal debt, doubles it in five years and triples it in ten years. Now try to remember what we're talking about here. We're not talking about going from \$100 to \$200 to \$300. We're talking about trillions...trillions. Now, I don't know what \$1 trillion is. I can't even conceive of it. But that's what we're talking about here. We're talking about taking the federal debt from \$5.8 trillion up to \$17 trillion, or thereabouts.

To try to put it in perspective, if you take all the spending, all the debt run up by all the Presidents since the beginning of the country, George Washington through Franklin Pierce through George w. Bush, all that debt that's been run up over 230-some-odd years by all our Presidents, that debt is doubled by this President within five years of being in office.

There is another chart which shows this even better. It's called the wall of debt. This chart wasn't invented by myself, but whoever invented it was a genius, obviously. And the wall of debt shows how the federal deficit just goes up and up and up and up and up and up and up. And this wall of debt is what our kids are going to run into when they try to have a productive lifestyle. It's what's going to cost them their ability to be successful.

By the time we get to the end of this, or even right here in the middle somewhere of this budget, the average family in this country is going to have \$130,000 of new debt that they're responsible for. That's probably more than the mortgage on most people's homes. The interest cost on that debt, which all Americans are going to be responsible for, will be about \$6,000. That may be more than what most people pay in interest on their homes. But that's the debt that's going to be passed on to them by this budget. And why does it happen?

It happens for one very simple reason. It's called spending. The simple fact is that under the President's budget and under the budget proposed by the Chairman, the spending of the federal government goes up dramatically of course in these two years here, which I have reservations about. I especially had reservations about the stimulus package even

though I strongly supported the stimulus effort. But the spending goes up dramatically, comes down a little bit and then starts right back up again. Why does it start back up again? Well, it starts back up again because this President in a very forthright manner has said not only in his budget but he said publicly, he genuinely believes that the way you create prosperity is to significantly increase the size of the federal government, to take it to the left dramatically. And so he does.

And as a result, spending goes up at a rate that is simply not affordable to our children. Look at this black line here. This is the black line that reflects the average spending between 1958 and 2008 of the federal government. Look at how much higher the spending is of this government under this proposed budget. That's a huge gap. When you're talking about an economy as large as ours, when you're talking a percent or 2% or 3% or in this case 4% or 5%, that's where your massive deficits come from. That's where the massive increase in debt comes from.

It's debt that's the issue here. The Chairman used to say the debt is the threat. And he's absolutely right. The debt is the threat. But the driver of the threat is spending. Unless you're willing to address the issue of spending, you're not going to get debt under control because you simply can't tax people enough to cover that. Of course you can always inflate the economy to try to cover it, but that leads to much more harmful events than other things. So this is the fundamental difference we have as a party.

You know, the President has said he wants to spend, he wants to tax, and he wants to borrow. And I think it's important to note there's a little subtlety here that hasn't been focused on too much, and that is this: when President Clinton came into office, he also wanted to spend and tax, but he didn't want to borrow. He used his taxes, which he increased -- which I probably opposed -- in order to reduce the deficit.

This President, on the other hand, who is claiming that he's going to raise taxes on just the wealthy, which is a canard if there ever was a canard around here, is using all that revenue not to reduce the deficit, but to increase spending. And then he spends on top of that. So he's using it to grow the size of government. He's very forthright about this. He's going to use those tax revenues to nationalize the health care system. That's the way I describe it. He describes it another way. He's going to use those revenues to basically create a massive expansion in spending in the other accounts in the federal government, but he's not going to use it to try to reduce the federal deficit. That's the big difference between President Obama and President Clinton in the area of fiscal policy. President Obama doubles and triples the debt and as a result, he leaves to our children a nation which is not affordable.

As I said, there is a fundamental difference of opinion here. You know, in the past we'd get these budget debates on the floor and they were sort of academic exercises and people would engage in them and they would be very interesting. But I don't think anybody ever saw it as at the core of the policy of the country. Even though it was important, it wasn't the core. This debate is about this country's future. This budget is about where this

country ends up. And the pathway that's been laid out in this budget is a pathway that leads to a debt which the Chairman has openly said is not sustainable.

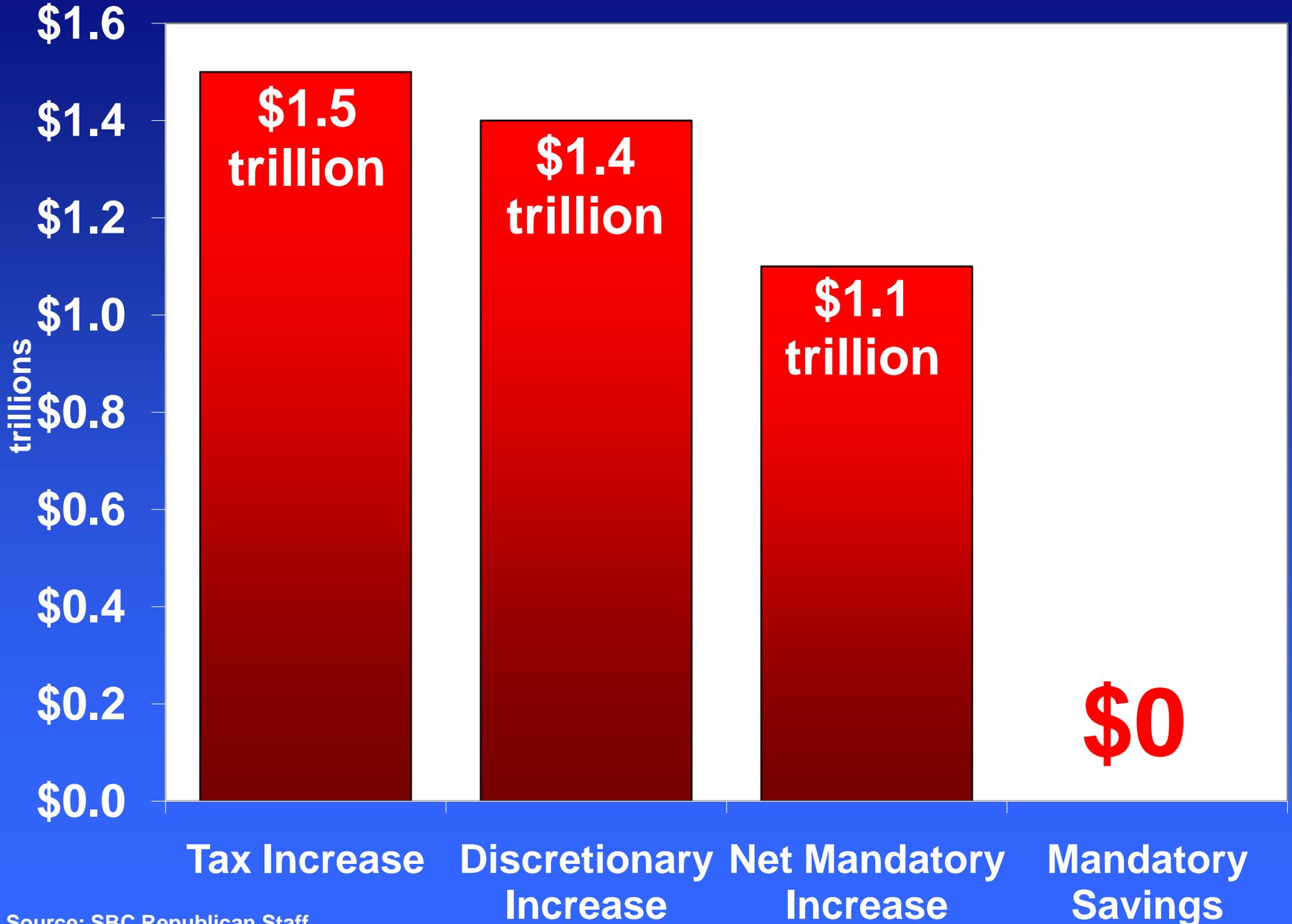
Now if the Chairman knows it's not sustainable and the president knows it's not sustainable, why haven't they sent a budget up here to address that fact? Instead they've sent a budget up here which does nothing about that fact, and in fact it does the opposite. It increases spending, increases discretionary and mandatory spending, and it saves absolutely zero in the area that we most need savings, which is in the mandatory accounts.

So the difference is this, and the President, as I said, has been forthright. His budget, this budget, probably the most significant document that we've received here in the area of fiscal policy in the last -- well, maybe all the way back to Lyndon Johnson or before. It concludes that the way to prosperity is to expand the size of government in an exponential manner by spending on government programs in hopes that they create some sort of economic activity and create prosperity over the long run.

Well, we believe as a party that doesn't work. Because in this case, it's not paid for and it creates all this debt which we then pass on to our children to pay. We believe that the way to prosperity is to have a government that is affordable and to pass that affordable government on to your children. And equally important, to empower the individual citizen and groups of citizens to go out, take a risk and create a job. Not to have the government take from the individual the ability to create jobs because it taxes the individual either through inflation or through taxes or through a huge debt burden as is proposed in this budget, a huge debt burden that is not sustainable.

So, this is a very significant debate and a very significant decision point in our nation's history. Because if this budget passes in its present form, we are guaranteeing that we will pass on to our children a nation whose government is not sustainable. And, therefore, we will be passing on to our children a nation which is less than what we received from our parents. And no generation has the right to do that to another generation. And that is what this debate is about.

President Obama's Budget Highlights



President Obama Would More Than Double the Federal Debt to \$14.5 Trillion

It Took 43 Presidents 232 Years to Build Up \$5.8 Trillion in Publicly-Held Federal Debt



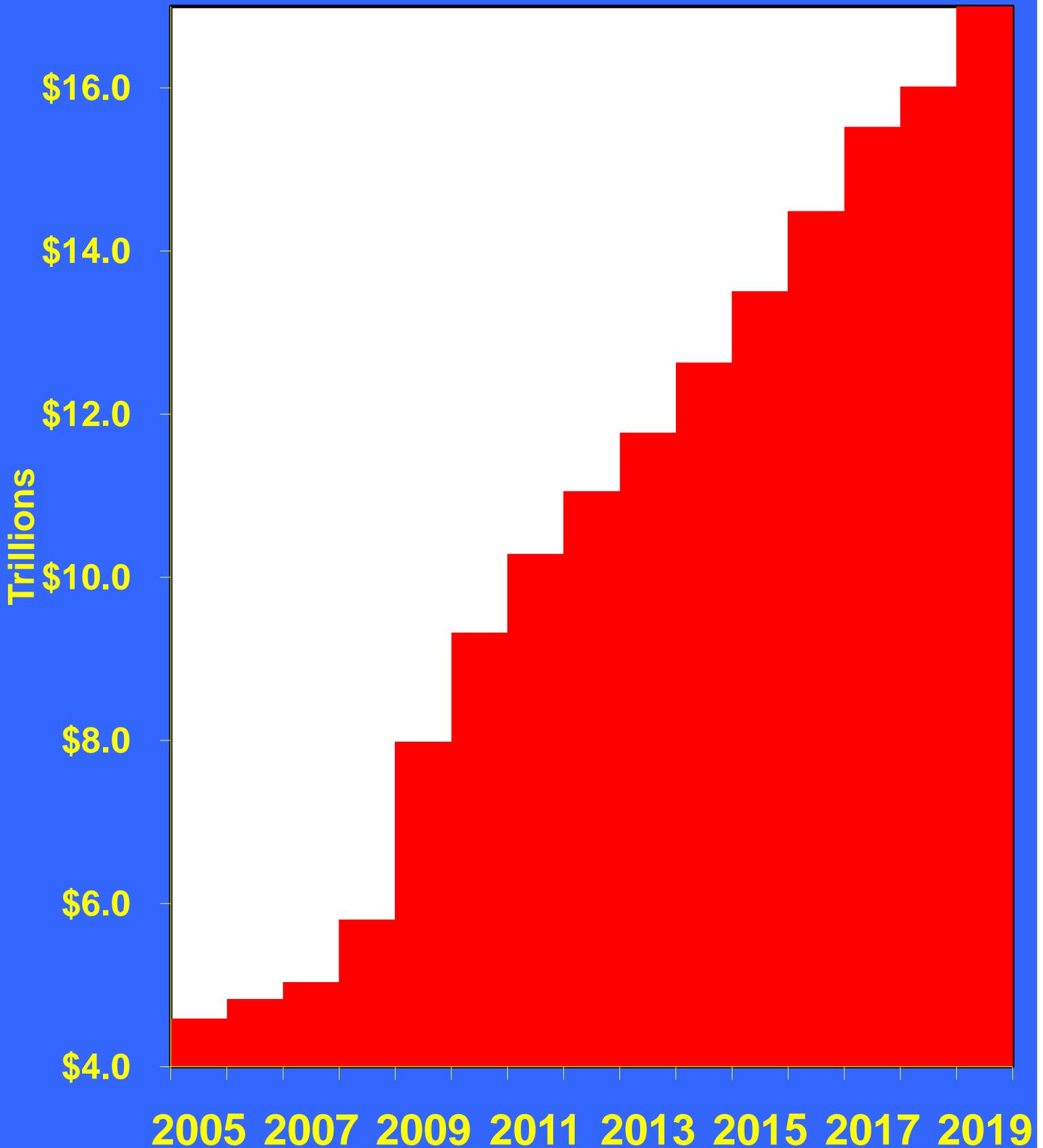
232 Years
(1776 – 2008)



President Obama
(Proposed 2009-2016)

Obama's Wall of Debt

Debt Held by the Public



Federal Spending as % of GDP

