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Senator Gregg's Remarks on the Senate Floor on the U.S. Debt
June 3, 2009
(unofficial transcript)

Mr. President, I wanted to rise today to return to a topic that I have discussed on this floor a number of times but which I think needs to be discussed again because of the severity of its implications for our nation, and that is the massive amount of debt which we are running up in our country.

This massive expansion in our debt, as proposed by the President's budget and the budget which passed this Congress, threatens the value of the dollar, it threatens to create instability through massive inflation, and it clearly threatens the future of our children. And I'm not the only one who feels this way. As you look around the world, there are a lot of folks taking a look at where we as a nation are going and asking the question, 'can we afford this debt as a country?'

Interestingly, just a week and a half ago or so, Standard & Poor's, the credit rating agency, looked at the English situation and put out a statement that the AAA bond rating of England was in jeopardy. They essentially took the adjective "stable" out from their designation of that bond rating and said that they had a negative bias on the AAA rating. They didn't reduce it. But they did put out a major warning sign.

What does that mean? Well, if your bond rating as a nation drops, that means that the world community doesn't have a lot of confidence in your ability to repay your debt. And it's going to charge you a lot more to lend you money. The effect of a bond rating change for a nation like the United Kingdom, which is one of the most stable and industrialized countries in the word, is catastrophic.

So what brought about this decision by Standard & Poor's to put on at least a watch list, so to say, the bonds of the United Kingdom? It is the fact that England has so expanded its debt that its debt now represents 53% of GDP on its way to 100% of GDP by 2013.

Well, where do we stand as a nation in our debt relative to our Gross Domestic Product (GDP)? This chart here reflects the fact that historically in the last 30 or 40 years our debt has averaged between 30% and 40% of GDP but in the economic downturn we are seeing a dramatic increase in our debt as a nation. Now, in the short run I have said many times that we can tolerate this for the purposes of trying to float the economy, for the purpose of the government being the lender of last resort, for the purposes of stabilizing the financial systems. A short-term huge spike in our debt is not desired, but it can be managed. We have done this in the past -- during World War II, for example, our debt went up dramatically. But the key is it has to come back down. It just can't keep going up.

Well, by the end of this fiscal year, our public debt will be about 57% of our GDP. As you can see from this line, under the budget proposed by President Obama, debt continues to go up almost in a perpendicular manner to the point where, by the end of the budget as proposed by the President and as passed by this Congress, the public debt will be approximately 82% of GDP. That is not a sustainable situation. We will be running over the next 10 years, under the budget proposed by the President, deficits which represent $1 trillion a year, on average. *$1 trillion a year, on average.* Those deficits will be between 4% and 5% of our GDP.

Now, as I've said before on this floor, you can't get into the European Union if your deficits exceed 3% of your GDP and your debt exceeds 60% of GDP. These are all big numbers and nobody can catch up with the numbers, but the basic implication of this is very simple: under the present path that we're on, the debt is going to double in five years, it's going to triple in 10 years. The implications to our children are that they're going to inherit a country where the payments required on that debt are going to be the single largest item of the federal government -- $800 billion a year we will have to pay in interest.

Every American household will have $130,000 of debt on that household to pay off the federal responsibility. $6,500 in interest payments annually for every American household, more than many American households' mortgage and more than their interest payments on the mortgage but that is what every American household will owe as a result of this dramatic expansion in debt.

And what's driving this debt? Well, in the short-term, obviously, it's the economic downturn, but we will not be in this forever. Most are presuming we are starting to move out of it and we will move out of it. As we move into the out-years, what is driving the debt is spending. It is that simple: spending. New additional spending put on the books or planned to be put on the books under this budget.

This blue line here which flattens out and the debt will stabilize over the next five years, that's the blue line if we had current law. In other words, if the law that was in place before the President's budget was passed were to take effect, and stay in place, that's the blue line; that's what the debt would do. It would stabilize. But because the President has proposed so much new spending in addition to the spending that's going to come as a result of the retirement of the Baby Boom generation and expansion of entitlements, this debt just continues up in an astronomical way. And this is a real concern for us.

I recognize that it's hard for Congress to deal with anything but the next election and what we're talking about here is what we're doing to the next generation, but we should be very, very concerned. More than concerned, we should be, really, focused on this as our primary issue of domestic policy as we go forward as being a threat to our prosperity as a nation. What are other governments saying about this?

China, our biggest creditor -- we financed this debt by borrowing from China, among others – lends us money to spend on our operations as a government. They have always looked on the U.S. debt as a good investment, a safe investment. In an embarrassing incident, the Secretary of the U.S. Treasury speaking before an audience in Beijing of sophisticated college students was asked about the status of our debt that was held by the Chinese and he said, 'Chinese assets are very safe.' And the audience laughed. The audience actually laughed at the Secretary of the Treasury saying that Chinese purchases of U.S. Treasuries are very safe. Now that's an anecdotal incident, but it would never have happened six months ago or two years ago because these types of increases in debt as a percentage of our economy were nowhere in sight then, nowhere in sight.

Mr. Yu, the former advisor to the Chinese Central Bank, made the following statement just a couple of days ago: the U.S. government should not be complacent and it should understand there are alternatives to China buying U.S. bonds and bills. Investments in Euros or an alternative and there are lots of raw materials they can buy, too. China should not close those options. Well, if the Chinese government starts to reduce its purchase of our bonds, and our need to sell bonds is going up, what happens? The interest will go up because we have to make these bonds attractive around the world, and as the interest on the bonds goes up, taxpayers end up having to bear that burden and the next generation has to bear that burden.

So what's the solution to this? How do we get around the fact that we are now on an unsustainable course which will lead to fiscal calamity for our nation and potentially put us in a position where we have to devalue the dollar or have massive inflation? Interestingly enough, the Economic Information Daily, a Chinese publication, hit the nail on the head, maybe because they're looking from the outside in and they can see these things. They hit the nail on the head. They said the question that should be asked of Secretary Geithner is, 'How do you propose implementing fiscal discipline? How will you maintain the stability of the dollar after the crisis?' I emphasize "after." They say once we get past the recession and the need to stabilize the financial structure of our country and the need to float the economy, how do you bend this curve back to something reasonable and sustainable?

And that should be the question we should be asking around here as a Congress, and we need to start asking it pretty soon. Now, the President has said, and he said it again yesterday, one way you do this is by addressing the costs of health care. He is absolutely right. Health care is one of the primary drivers of this massive increase in expenditures at the federal level. But the President has put nothing on the table so far that bends the curve on the question of the cost of health care. In fact, just the opposite.

His budget proposed that health care spending would go up $1.2 trillion over the next 10 years and more importantly than that, it sets up a brand-new expansive series of entitlements, which will cost hundreds of billions, as I said, $1.6 trillion in new spending. He is suggesting that instead of keeping health care spending at 17% of GDP -- a huge amount of money, more than any other industrialized country spends; the next closest country spends 11% on health care -- that we allow it to rise to 18% or 19% or 20%. Well, we can't afford that.

What we need in the area of health care is to address the issue the President said, which is to control the costs of health care, not by expanding the size of health care, but by using the dollars in the system more effectively and getting better quality at lower cost. This can be done, by the way. There are a lot of proposals for doing exactly that. One of them isn't to create a single-payer plan or public plan which essentially puts the government in charge of health care and, as a result, drives up the cost of health care significantly and drives the spending up and the borrowing that goes with it.

Yes, we have to address that. We have to address it in a way that actually controls the rate of growth of spending in health care and it doesn't aggravate this additional debt. It is hard to understate the significance of the threat this debt represents. I know I have spoken on this floor about it a number of types but that's because it is so critical to our future as a nation. We literally are bankrupting the futures of our children by putting this much debt on their back, by doubling the national debt in five years and tripling it in 10 years.

I'm beginning to feel a little bit like Cato the Elder who used to speak in the Roman Senate and who began and ended every speech with a phrase about the need for Rome to destroy Carthage. Let's do something about this out-year spending before we get to a position where the world loses confidence, and our dollar loses confidence in the debt and before we have to inflate the economy or where we have to place taxes on our children that are so high they have no chance to have as prosperous and as competitive life as we have had.

It is not fair, as I have said before, for one generation to create this type of debt and pass it on to the next generation to pay. It's not fair. It's not right. And it’s something we have never done as a nation. Whenever we have run up debt significantly like this we have always paid it down on an equally quick basis. After World War II, when our debt got over 100% of GDP, we brought it down very quickly.

We need to bring it down today. We need to have discipline around here that leads to getting the debt of this nation back to a responsible level, which means something under 50% of GDP, hopefully closer to the historic 40% of GDP, where we get the deficits back to responsible level which means under 3% of GDP, hopefully even headed toward balance, and where we can tell our children we are passing on to them a stronger nation, not a weaker nation, a more prosperous nation, not a nation facing massive inflation and the devalue of the dollar for massive tax increases.

I yield the floor.