



BUDGET COMMITTEE



Judd Gregg, Ranking Member
<http://budget.senate.gov/republican>

Contact: Betsy Holahan (202)224-6011

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Senator Gregg's Senate Floor Remarks on the Record \$1 Trillion Federal Deficit

Yesterday was not a great day for our nation. For the first time in our history, the deficit of this nation passed \$1 trillion. \$1 trillion dollars. That's a number I don't think anybody ever expected to see as a deficit for our country. To try to put it in perspective, as a percentage of our GDP, that's about 13%. We have not had a deficit of that size since we were in World War II.

And the implications of that deficit are staggering for us as a nation but, more importantly, they represent a clear and present danger to our children and our children's children. And to this nation's fiscal solvency. Remember, we're not through the fiscal year yet. It's estimated that this deficit will continue to go up for the rest of the year. It's estimated that \$1.8 trillion will be the deficit we're facing in 2009 and over \$1 trillion the next year. These are numbers which are so huge that they're incomprehensible to me and to most Americans. But they translate into a very significant problem, which is that we will be passing on to our children as a result of all this debt a nation which they cannot afford.

And what's the cause of this debt? What's causing this massive expansion in deficits? Well, primarily it's spending. It's not that we're a nation that's under-taxed. It's that we're a nation that is spending simply too much. My colleague on the other side of the aisle, the Chairman of the Budget Committee, Mr. Conrad, is fond of saying, 'the debt is the threat.' He's absolutely right. Because that is the threat to this nation.

I think it's important to put it in context, though, that this is not a temporary event. We're not running up these deficits just today, but as we look into the out-years under the Obama budget, the deficits go up astronomically for as far as the eye can see, leading to debt which is unsustainable. Over the next 10 years, the average deficit of this nation will be \$1 trillion each year.

Again, let's try to put that in context. That's about 4% to 5% of our GDP every year. If you were in Europe and you wanted to get into the European Union, which is a legitimate group of industrialized nations. They have rules for how fiscally solvent you must be as a nation. And one of their rules says that your deficit cannot exceed 3% of your GDP. And

yet under President Obama and his proposed budget, our deficit will average 4.5% to 5% of our GDP for the next ten years, over \$1 trillion on average each year.

And what does this lead to? Well, it leads to massive expansion in debt, as this chart shows, a debt which will be 85% of our GDP. What does that mean, 85% of our GDP? Well, the public debt of a nation is the debt held by other people -- primarily, Americans and other countries. Primarily, in our case, China. They're the biggest holder of our debt. And historically, whether a country or individuals are willing to buy the debt of a nation depends on whether that nation is seen as being able to pay that debt off or whether the nation has the financial strength to pay that debt off.

And there are some rules of thumb here, too. Again, in order to get into the European Union, you have to have a ratio of less than 60% public debt to your nation's GDP. And yet under this proposal from this Administration which we're seeing today in action as we pass the trillion dollar deficit line yesterday, that public debt goes well past 65% very quickly within the next two years, and then it continues to head up to 80%. In other words, our public debt will be so high that we would be considered so fiscally irresponsible as a nation that the European nations, which are industrialized countries, under their rules would not be able to allow us into the European union, not that we wish to seek entry but clearly that's a standard that we should look at.

When you look at our debt, it has been between 30% and 40% of GDP. When you double that debt as a percent of GDP, you're putting us on a path, a spiraling path downward into fiscal insolvency and a nation which cannot sustain its own debt. To try to address this in another way, President Obama's proposals for spending will more than double the debt in the next five years and triple it in the next 10 years. In fact if you take all the debt that's been run up in our nation, from the beginning when George Washington was president through George W. Bush's term in office, take all of that debt, President Obama has proposed spending at a rate that will double that debt in just five years. Five years.

It's an inexcusable action to pass this much debt on to our children. This chart, called the Wall of Debt, puts it in numerical terms. You can see how it goes up and up and up and up. By the end of this budget, which starts about here, the debt will have increased from about \$6 trillion to \$16 trillion. It's hard to use the term "trillion," but that's what it'll be. Well, this isn't tolerable.

How do we address this? We need to control spending. And we need, to the extent we raise taxes, to use those taxes not to expand the size of government. Yet what are the proposals that we're seeing from this Administration and members on the other side of the aisle? We've seen a House of Representatives proposal in the area of energy called "the cap-and-trade bill" which should be more accurately described as the "cap-and-tax bill," because we've never seen anything of this size before. Every time you hit your light switch, you're going to end up paying a new tax under this bill for the purposes of addressing climate change and energy policy.

And yet it doesn't accomplish any of that really. The primary polluter in America today is the automobile. And all that the new tax that's being put in place from the House bill does is increase the tax on gasoline. It doesn't increase the mileages per gallon; it doesn't reduce the pollution. It just increases the tax. And as Senator Alexander spoke prior to my speaking, in the area of energy production, electrical production, cap-and-trade simply becomes a windfall, a pure and simple corporate program for a lot of electrical producers. They get this asset, a certificate to be able to sell, which we've seen generates huge amounts of income to them, in exchange for theoretically reducing the amount of emissions that go into the atmosphere.

If you really wanted to address this issue, you don't do it with a massive new tax on American workers, which is then basically given back to industry, which gets an advantage from it. Rather, you should use the ideas of Senator Alexander: build 100 nuclear power plants in the next 20 years, move the automobile fleet to at least half electrical by the year 2020, so that you've actually brought online non-polluting electrical power and you've put in place automobiles which don't pollute also.

But that's not the proposal. The proposal is this massive new tax, not used to reduce the debt or the deficit, but basically used in many areas to expand the government, with lots of new programs, but also to underwrite a huge corporate welfare program.

The other proposal we've got from the Administration that's major public policy is the issue of health care. Again, the proposals they're talking about expand dramatically the size of government. In fact, the bill being worked on in the Senate HELP Committee by its own scoring is at least \$1 trillion unfunded. That adds to the debt. That's going to go on top of this.

And to the extent there are new taxes being talked about -- and there are a lot of them, especially in the House of Representatives -- those taxes aren't being used to reduce the debt. They're being used to grow the size of government. And, as a result, the debt doesn't go down. The government's size goes up when we should be focusing on this debt issue.

It is unconscionable that we as one generation would be running up these types of deficits and passing this type of debt on to our children. There may be an excuse for it right during a period of recession. And we are in the middle of one. But we are moving out of a recession. There's no excuse for having deficits that are \$1 trillion for the next ten years. There's no excuse for running deficits that are 4% to 5% of GDP and there's absolutely no excuse for putting a debt on our children's back that's 80% of the GDP of this country.

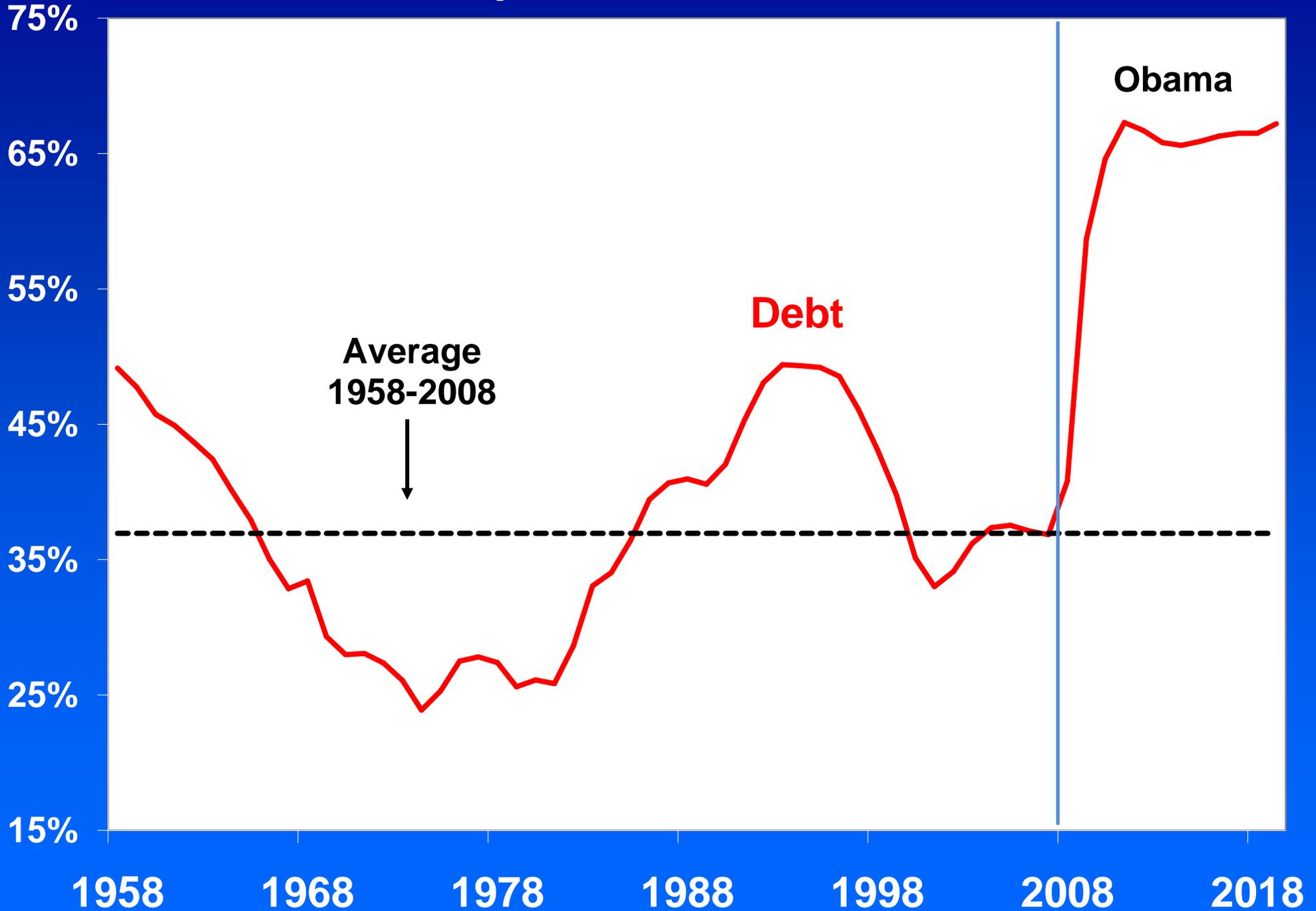
Because what we're doing is passing on to our children a nation whose fiscal policies are unsustainable and which will basically give them less of a lifestyle than we received from our parents. And no generation should do that to another generation. And yet there are no policy proposals coming forward from this Administration which turns this debt line down. None. Instead, there are policy proposals which increase the size of government and increase the tax burden of Americans, without reducing our debt in any way of any

significance. It is an unfortunate situation and a difficult situation, and one which we better start addressing for the sake of this country and our children's future.

Thank you, I yield the floor.

**The Debt
is the Threat**

Debt Held by the Public as a % of GDP



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



Obama's Wall of Debt

Debt Held by the Public

