



BUDGET COMMITTEE



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Senator Judd Gregg's Senate Floor Remarks on Pay-Go and Spending Under the Democratic Majority November 8, 2007

Sen. Gregg: Mr. President, this morning, while I was working out in the gym, on the air came one of my friends and a gentleman who I enjoy serving with and who has a great sense of humor, Senator Schumer from New York. And he was being interviewed by the CNBC team, which is a great, enjoyable team to watch -- Mark Haines and Becky Quick and others like David Faber. And Senator Schumer said that the Democratic Party had been disciplined because they had used Pay-Go as a way to control spending here in the Congress.

Well, I almost fell off the treadmill because that statement is so outrageous that it could only be made by somebody from New York who sees things in big pictures but misses the trees. The statement represents or implies that Pay-Go is a fiscally disciplining event around here, when just the opposite is what has occurred. Pay-Go has become a term of art, which has got a nice name and is thrown out by some of my colleagues on the other side of the aisle as their representation of fiscal discipline, but in fact it has become a mechanism for spending money at an outrageous rate in entitlement and mandatory accounts.

I don't call it Pay-Go anymore. I call it Swiss Cheese-Go. And the record is now pretty clear. Since this Congress came into being under the control of the other party, with the representation that Pay-Go was going to be used to discipline spending around here, there have been 13 major incidences -- these don't count the minor ones -- of Pay-Go being waived, manipulated, or just manhandled so that it didn't apply to spending items which should not have been allowed to occur. Spending initiatives which should have been subject to the Pay-Go rules, which have been ignored, manipulated or gimmicked so that Pay-Go didn't apply on these 13 instances. It now totals \$143 billion -- *billion* -- in new spending as a result of these initiatives.

So when Senator Schumer spoke on CNBC this morning, he was asked by Mark Haines, "Will Pay-Go survive?" Senator Schumer said, "Sure it will survive. We're committed to this fiscal type of discipline." What Mark Haines should have asked is, "What happened to Pay-Go? Why have so many holes been put in the process? Why has the Democratic leadership allowed it to be waived, manipulated and gimmicked so that \$143 billion of

spending, which should have had Pay-Go applied to it has simply been allowed to pass?" Well, it's simple. Pay-Go was never meant to discipline spending. It is a fraud to represent that Pay-Go has been used to discipline spending.

If we in the Congress had to sign financial statements the way that we make people sign financial statements in the corporate world as a result of the Enron case -- the heads of various corporations have to actually sign their statements, and they're subject to criminal penalty if they're inaccurate. If we were forced to sign a fiscal statement around here that said that we were using Pay-Go to discipline spending, we would all go to jail, because if we sign that statement, we would be defrauding the American people at a level that would make Enron look like a little exercise. \$143 billion of fraud has dodged the alleged Pay-Go rules because Pay-Go discipline which should have applied has not been applied. But this is just the first step in the exercise of profligate spending around here. This is one of the more ingenious ones because under the name of Pay-Go we're representing that we're controlling spending when in fact, by using Pay-Go we've actually spent \$143 billion.

But there is the second step, which is the discretionary side. \$23 billion over what the President requested this year is being spent. Now, we hear from the other side of the aisle, "It's only \$23 billion and it's being spent on good causes." Everything gets spent on a good cause around here. On the Labor-H.H.S. appropriations bill, which represents \$11 billion of that, obviously many good causes are listed. But what people fail to mention is, first, \$23 billion is a lot of money. I think there are probably 30 states in this country which could operate their entire budget on \$11 billion. \$23 billion would probably be the budget of almost every state in this country.

But this \$23 billion isn't the end of the number that we're spending. It's the beginning of the number of the add-ons. And when you take it out to five years, the baseline jumps by \$133 billion. When you take it out to ten years, that's \$313 *billion dollars* of additional spending. This isn't just \$23 billion of new spending that's being spent above what the President feels is necessary in order to operate the government. It represents \$313 billion of spending over ten years. That's a big number. That's a massive number.

You can do a lot with that amount of money. You could cut a lot of taxes, for example. You could eliminate the double tax on people who were married, which is going to go back up in 2010 if you didn't spend this money. You could give higher tuition tax credits to people trying to get college degrees if you didn't spend this money. You could extend the capital gains and dividends tax rates which disproportionately benefits senior citizens, especially the dividends tax rate, if you didn't spend this money. This is real money, real money, \$23 billion this year totals \$313 billion over a ten-year period.

So you take this \$313 billion, and you attach it to the Swiss Cheese-Go attack here of \$143 billion and you are up to half a trillion dollars. Half a trillion dollars that this Congress has spent in ten months. They have only been in charge for ten months -- half a trillion dollars. Multiply that out, my goodness, you're up to \$2 trillion over the term of this Congress, theoretically. \$2 trillion. That is even real money by Democratic terms.

My colleagues on the other side of the aisle I think would agree that \$2 trillion is a lot of money. That might be a bit of hyperbole. But the half a trillion dollars isn't. That's how much this Congress has cost the American people in the first ten months in office while they have been living under the fiscal discipline of Pay-Go, while they go on TV shows and say we're disciplined because we believe in Pay-Go.

And as a result of that we get \$500 billion of new spending. Well, that's a lot. Now, we have a bill on the floor right now that, regrettably, follows on with this exercise in excess and profligate-ness. The Farm Bill alone has \$34 billion of gimmicks in it to try to avoid budget discipline. \$34 billion of gimmicks. That's huge. It adds, I think, four new major subsidy programs for new crops, including asparagus and camelina, which I don't even know what that is, and a variety of other crops. It authorizes programs which study or work to alleviate stress on farmers, adds Chinese gardens in places, and does a little gimmick which is even creative by the creativeness of this place.

The Farm Bill reaches a new standard of creativeness, because they now are taking entitlement spending and freeing up entitlement spending by giving tax credits. In other words, they create a new tax credit to pay for items which historically have been paid for by entitlement spending under the Farm Bill, mandatory spending. Since they no longer had to pay for that with mandatory spending, they created an extra \$3 billion that they could spend on new farm programs. So the Farm Bill itself is a continuation of this exercise in making the concept of Pay-Go superfluous and certainly the claim that Pay-Go applies around here fraudulent. It's really about time, hopefully, that people start paying attention to this. When you're up to \$500 billion of new spending in ten months, much of which has been done outside of the budget window so that the budget rules haven't been allowed to apply to it, that gets to serious money and it gets to a serious lack of fiscal discipline. And I would hope that we would change this course, but we don't appear to be changing this course. We actually appear to be aggravating this problem by bringing forward bills such as the Farm Bill which continues this failure of fiscal discipline.

Well, who has to pay for all this? Well, I see these young pages down here. They're enthusiastic. They smile. They help us out. Regrettably, every day that they're here -- most of them have been here for a little while -- we add about \$1 billion to their debt. It's interesting how this adds up, but that \$500 billion that has been put on the books here in the last ten months, we're not going to pay for it. Our generation isn't going to pay for it. These pages and their generation are going to have to pay for it. It's all debt, and it's not fair to them and it's certainly not fair to the American people to represent that we are exercising some sort of fiscal discipline around here under the term Pay-Go when in fact just the opposite is happening. And that is used as a stalking horse, not for fiscal restraint, but for spending. Mr. President, I yield the floor.

[Sen. Dorgan's question about the President's request for war funding]

Sen. Gregg: That is a good question. The answer is the first obligation of the federal government is to defend the country. And when you have soldiers in the field, you do that. You pay for them being in the field. I would suggest the way we could pay for that,

in fact, would be that we not waive the Pay-Go rules with this \$143 billion of spending which has nothing to do with national defense. Or that alternatively, we could eliminate the \$23 billion of non-defense spending which has been added in by the Democratic Party in this year's budget cycle, and that would save us a significant amount of the money. So I'd be happy to pay for it by cutting either of those accounts. But in any event, I'm going to pay for soldiers who are in the field.

[Sen. Dorgan's question about tax cuts during a time of war]

Sen. Gregg: The tax cuts that were put in place were put in place prior to 9/11. And as a practical matter, had they not been in place, the effect of the burst of the Internet bubble in the late 1990's -- which was the result of a dramatic expansion of the economy, with the paper expansion of equities being issued for companies which had no value in the late 1990's, a speculative event, that collapsed, -- coupled with the 9/11 attack, which put this country into trauma both physically and politically, but also economically, would have led us into a very severe recession if we hadn't had those tax cuts.

And the fact that we put those tax cuts in place early in this Administration has led to amazing economic growth, which has meant 50 months of growth, 8.6 million new jobs. And interestingly enough, those tax cuts have actually led to our revenues today being at an historic high. Over the last three years, we have collected more money in revenue growth than we received at any time in our history. We are now getting 18.8% of Gross National Product in revenues when historically we usually get about 18.2%. And the vast majority of that revenue growth has come directly from the cut in capital gains rates as we've received over \$100 billion of new revenue in just the capital gains activities.

So I would say that, first, the tax cut wasn't put in place during the war. It was put in place just at the beginning of the war. And secondly, that it's had the right effect, which is to energize economic expansion and energize revenue to the federal government. I do appreciate that question, and I yield the floor.