

Senator Kent Conrad (D-ND) - Senate Floor Statement on Gregg-Feingold Amendment - 6/5/02

Mr. CONRAD. Madam President, I ask the Chair to advise me when I have consumed 10 minutes.

Madam President, the amendment offered by our colleagues is well intentioned. In fact, I share many of the goals they have enunciated today. We have an enormously serious problem with the fiscal condition of the country. This chart shows that we are now headed for a return to an era of deficits that is going to continue long into the future. This chart goes back to 1992, back to the time when we were deep in deficit. Many of us know the extraordinary efforts that were required to lift us out of deficit, back into surplus, which we enjoyed for just a few short years.

Last year, a series of decisions were made on a massive tax cut. Then, of course, the attack on the country occurred that led to increased spending for defense and homeland security. At the same time, there was an economic slowdown. We experienced those three events--the massive tax cut, the attack on this country that led to increased spending, and, of course, the economic slowdown. Those three, led by the tax cut--the tax cut was the biggest contributor to returning to deficit--has plunged us back into deficit by very large amounts that are going to continue the rest of the decade. That is the circumstance we face.

The proposal by our colleagues has a very serious set of problems attached to it. They have gone to what is an enforcement mechanism that we have seen in the past. If you liked Gramm-Rudman, you will love Gregg-Feingold because they have returned to the notion of enforcement based on projections; not what actually happens but based on projections of what will happen.

This is a fatal flaw. In fact, it could undermine the very budget discipline they are seeking to support. Have we forgotten what happened under Gramm-Rudman? Have we forgotten the endless game playing and gimmicks that resulted from Gramm-Rudman?

Have we forgotten the rosy scenario? Let us go back to 1990 and look at what could happen under the proposal of our colleagues to now again rely on forecasts and projections rather than real results.

Back in 1990, OMB told us at the beginning of the year that we were going to have a \$100 billion deficit. They were right on track with the deficit reduction plan that was in place. That is what they said.

What actually occurred? It wasn't a \$100 billion deficit. It was a \$221 billion deficit.

All projections, all false; all that lead to a circumstance under the proposal from the Senator from New Hampshire and the Senator from Wisconsin that could lead a Congress to have more tax cuts, more spending, based on a projection that everything was OK. Later in the year, when reality sets in, their answer is to only deal with half of the equation that leads to budget deficits. Budget deficits are a result of an imbalance between spending and revenue. Their only answer is on the spending side of the equation. That is, I think, a mistake.

Let us look at what it took to get us back into balance. Back in the 1980s--here is the blue line, the revenue line, and the red line is the spending line. We can see for a very long period that spending exceeded revenues, and by large amounts. The result was a quadrupling of the debt of the United States.

What happened in 1993? We passed a plan to cut spending and to raise revenue. It was that combination that led us back to fiscal responsibility, that led us back to balance, that eliminated deficits, and that reduced debt.

Have we forgotten that worked?

I hope very much that we don't go down this slippery slope of a whole new enforcement mechanism based on projections rather than real results. That way leads to real trouble.

In addition to those problems, our friends who are coming before us with this amendment--well intentioned as it is--I think do underestimate the uncertainty of our time.

When this headline appeared on September 12, everything changed. This headline says, "U.S. Attacked."

We all remember that somber day when there were two strikes at the World Trade Center and passenger airliners turned into flying bombs, and what happened shortly thereafter with the attack on the Pentagon. That changed everything. We are now in a period of extraordinary uncertainty.

Here are recent headlines that talk about uncertainty. This is the Vice President of the United States warning of future attacks:

Possibility of another al-Qaida strike "almost certain," the Vice President says.

In this circumstance, we should not be tying the hands of the Congress and the administration for the next 5 years. None of us are wise enough to know what demands may be made on this country. None of us can know what is in the next 24 hours, much less the next 5 years.

We ought to be ready to respond to any attack and any strike against this country. We ought not to be in a fiscal straitjacket that makes a response more difficult.

It is not just the Vice President of the United States. This is the head of the FBI: "Warns of Suicide Bombs."

Calls U.S. attacks akin to those on Israel inevitable.

Our friends who are sponsoring this amendment will say we have a way around that for defense spending. We only have a simple majority vote for additional defense spending.

Those are not typical defense expenditures that are being used to respond to terrorist attacks. Defense is part of it, but another part is called "homeland security." Homeland security funding is not off in the defense budget. It is in the budget of the FBI, it is in the budget of the INS, it is in the budget of the FAA, it is in the budget of the Transportation Department, and it is in the budget of the Department of Health and Human Services to respond to attacks and to bioterrorism. The money needed to defend this Nation is not just in the defense budget.

Have we forgotten the response of this Congress to the attacks of September 11? Was it just defense spending that we increased? Absolutely not. We also responded with money for homeland security because we understood a terrorist threat to this country could not be just defended in the traditional way.

The uncertainty goes to other areas as well. This is a headline of Tuesday of this week in USA Today:

Nuclear Clash Would Batter World Financial Markets.

They are talking about what would happen if a nuclear exchange occurred between India and Pakistan. They alert us to the fact that it would batter world financial markets.

Nuclear war would spark a sell-off and send world stock markets tumbling.

This is a period of uncertainty, and we ought not to be tying the hands of the Congress being able to respond.

The uncertainty is not just on the spending side of the equation. It is also on the revenue side of the equation.

This is a headline of April 26 in the Los Angeles Times:

Lower Tax Receipts Could Double the United States Budget Deficit

In this year alone.

I agree with that analysis. I think we are headed for a budget deficit this year of perhaps \$160 billion and next year

an even larger budget deficit.

That is why enforcement provisions are critically important. But they have to be enforcement provisions that will actually work and not make the situation worse.

I wish to announce my intention now to offer the budget enforcement provisions that have worked, and to do so after the disposition of this amendment.

Let me add one other observation about the amendment that is being offered.

The Gregg-Feingold proposal extends the statutory pay-as-you-go enforcement procedures for 5 years, but it substantially amends the current pay-go law to allow direct spending increases or tax cuts to be enacted without being paid for if the Office of Management and Budget projects that there will be a surplus without Social Security.

That is the Achilles' heel of this amendment. It is based on projections and not real results.

We have been down that road before. It was a disaster for fiscal responsibility. Let us not repeat it.

I thank the Chair. I yield the floor and retain the remainder of my time.

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Mr. CONRAD. Madam President, momentarily I am going to yield time to my colleague on the Senate Budget Committee, Senator Domenici. Before I do that, I want to respond quickly to something the Senator from Arizona said.

I am in agreement with virtually everything the Senator from Arizona said. I am going to be offering the budget disciplines that are expiring at the end of September after this amendment. I think it is absolutely critical, as the Senator from Arizona indicated, that we continue those budget disciplines. It would be a profound mistake in this country to let those lapse.

But I say to my colleagues, the amendment being offered by the Senator from New Hampshire, the Senator from Wisconsin, and others, I believe, has enormous loopholes in it, such that would actually make our circumstance worse rather than make them better.

Madam President, I hope my colleagues are listening. Under the current pay-go law, if mandatory spending or tax cuts would increase the deficit, it triggers a sequester at the end of the year. Under this amendment, it would allow projected surpluses--hear me; projected surpluses--to be used to pay for additional spending and more tax cuts, without triggering a sequester.

Are colleagues listening? They are talking about fiscal discipline, and they are backing an amendment that would impose fiscal discipline based on projections? We tried that before. It did not work because what we got were gimmicks and rosy projections.

My colleagues are well intended. I am absolutely on their side with respect to the fundamental question of fiscal discipline. But this amendment, I believe, opens a major loophole because it is based on projections rather than real results.

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Mr. CONRAD. I thank the distinguished ranking member of the Budget Committee. I agree with every word he said. We have a budget process that is hanging by a thread. That is exactly right. We desperately need to put in place the budget disciplines that can allow us to keep the spending from spinning out of control as we go into the budget process.

The amendment by the Senators from Wisconsin and New Hampshire, which is completely well intended, will not accomplish the result they seek. I believe that is the case because it is dependent upon OMB projections of surpluses. We tried that. It didn't work. Why didn't it work? Because what occurred was a rosy scenario.

I put up the chart for 1990. They said the deficit was right on target. It was going to be reduced to \$100 billion. It wasn't reduced to \$100 billion. It was \$221 billion. Let's not have a massive loophole like that put back into the budget law of the Congress.

I yield the floor and retain the remainder of my time.

...

Mr. CONRAD. Madam President, let me respond to the Senator from Wisconsin. The alternative is not their proposal versus no rules. That is not the alternative. I will offer an amendment that will extend the supermajority enforcement of budget points of order that extends the Budget Enforcement Act provisions--all of them--and that restores the Senate pay-go rules--in fact, toughens them. That is the alternative: serious budget discipline versus the proposal before us by Senators who are absolutely well intentioned. They have the diagnosis right, which is that we have deficit and debt problems, but their solution takes us back to a provision that did not work in the past and will not work in the future.

Have we forgotten 1990? When you base budget discipline and enforcement on projections, you are basing your discipline on quicksand. What could be more evident? In 1990, the Office of Management and Budget told us we were meeting our deficit projections, that the deficit was only going to be \$100 billion. It turned out to be \$221 billion because the whole budget discipline process was based on projections.

That is what this budget proposal does. It won't work. It didn't work then, it won't work now. It is absolutely misleading and will take us down a road not to budget deficits, through budget deficit elimination, not to reduce debt, but to more gimmicks, more game playing, more rosy scenarios.

After this amendment I will offer an amendment that has real budget discipline.

I retain the remainder of my time.

...

Mr. CONRAD. Madam President, I hope people are listening and paying very close attention. There is a lot at stake in the series of votes that are going to occur. The Senators have made the case that we are back in an era of budget deficits. I say to them, I warned our colleagues that is where we were headed. I did not do it this year. I did it last year. And I begged our colleagues not to go down the road that was taken. I warned them that we would be back to raiding Social Security, Medicare, and every other trust fund in sight, but they cast all caution aside and went down that road.

Today there is a fundamental question of whether or not we are going to have budget disciplines in place as we go through this year's appropriations process. I will offer an amendment that extends those budget disciplines. Every colleague is going to have a chance to be recorded as to whether or not they want budget discipline.

The amendment before us has very serious defects. It is not the budget disciplines that worked in the nineties that helped us get back on track. It is not those. It is a new scheme, and it is a scheme that has an enormous loophole. The loophole is that discipline is based on projections of what is going to happen.

Have we learned nothing? Last year, we were told there was going to be \$5.6 trillion available in surplus over the next decade. That was a projection. Do you know what it is now? Nothing. Zero. The money is all gone. Let's not base budget discipline on projections.

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Mr. CONRAD. Madam President, in conclusion, I agree absolutely with what motivates the sponsors of this amendment. We need budget disciplines. I will offer those as a package, all of the budget disciplines--every one; in fact, a strengthened pay-go provision--after we dispose of the amendment that is before us.

Madam President, I say to my colleagues, I believe the amendment before us has a giant loophole, unintended I am sure, but it is based on projections, not real results. We have seen what happens with that kind of budget approach.

I go back again to 1990 when we had a similar scheme in place based on projections from the Office of Management and Budget.