

SENATE—Tuesday, February 8, 2005

The Senate met at 9:30 a.m. and was called to order by the President pro tempore (Mr. STEVENS).

PRAYER

The Chaplain, Dr. Barry C. Black, offered the following prayer:

Let us pray.

Sovereign Lord, who fills our hearts with songs of thanksgiving, each day we lift our hands in prayer to You, for You are always merciful. Thank You for blessing us each day.

You have rescued us from dangers and kept our feet from slipping. You banish our worries and calm our fears. Thank You for Your eagerness to forgive us and for Your unfailing love. You alone are God.

Today, strengthen the Members of this body. Help them to trust You without wavering. Teach them Your ways, that they may live according to Your truth. Give them purity of heart, that they may honor You. Use our Senators as instruments of peace on Earth. We pray in Your great and Holy Name. Amen.

PLEDGE OF ALLEGIANCE

The PRESIDENT pro tempore led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

RESERVATION OF LEADER TIME

The PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

MORNING BUSINESS

The PRESIDENT pro tempore. Under the previous order, there will be a period for the transaction of morning business for up to 1 hour, with the first 30 minutes under the control of the majority leader or his designee and the second 30 minutes under the control of the Democrat leader or his designee.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The majority leader is recognized.

SCHEDULE

Mr. FRIST. Mr. President, we will have a 60-minute period of morning business today, prior to resuming consideration of S. 5, the fairness bill. The

bill managers will be here between 10:30 and 10:45 to begin debate. Amendments also are in order today, and I expect we can make good progress over the course of the day on the bill. I reiterate, Members should notify their respective cloakrooms if they intend to offer amendments to this legislation.

The Senate will stand in recess today from 12:30 to 2:15 for the weekly policy luncheons.

Also, I alert Senators that the Chertoff nomination to be Secretary of Homeland Security is now available on the Executive Calendar. We will be looking for the first available window to schedule that nomination for floor consideration as well.

I yield the floor.

The PRESIDENT pro tempore. The Senator from New Hampshire.

Mr. GREGG. I take it we are in morning business, Mr. President?

The PRESIDENT pro tempore. We are in morning business.

Mr. GREGG. Mr. President, I yield myself such time as I may consume under morning business up to 10 minutes.

The PRESIDENT pro tempore. The first 30 minutes is under the control of the majority leader or his designee.

THE BUDGET

Mr. GREGG. Mr. President, I am rising to discuss the budget as presented yesterday to the U.S. Congress and to the American people by the President of the United States. Let me begin by saying I think the President has been courageous. He has stepped forward and addressed some of the most critical problems that we have as a nation, one of them being the fact that we are running excessive deficits, another one being the proper prioritization of our spending in a time of fiscal restraint. It is appropriate, as the President has proposed, that we return to a period of fiscal restraint so that we do not end up passing on to our children massive amounts of debt, and so that we can assure the international community and our own people that we are going to live in a fiscally responsible way as a Government. That is what the President's budget has proposed.

I think it is important, before we address the specifics of the budget, to talk a little bit about the context in which this budget is sent to us. Remember, when this President took office we were headed into a fairly significant recession. It was a recession that had arisen out of the most rapid economic expansion in our history. It was called a bubble, and was appro-

priately defined as a bubble, the Internet bubble of the late 1990s. When that bubble broke, it was very likely and it would be historically consistent if we had gone into an extraordinarily deep recession. But the President of the United States had the foresight at the beginning of the recession to propose to the Congress, and the Congress supported it, a fairly significant tax cut which was able to shallow out the recession. That is the classic approach to addressing a recession, in trying to move out of recession: cut taxes so you create more economic activity. You leave more revenues at home with the people, allow them to spend more of their own money, and as a result you come out of the recession more quickly. And that is exactly what happened.

Today we are seeing a robust recovery. We are seeing a very low jobless rate. I think it is down to 5.2 percent, in fact. Even though there was a significant revenue reduction, a tax cut in the first term of this Presidency, we are now seeing revenues growing at an extremely robust rate: Last year, 9.2 percent, this year they are going to grow by 6.5 percent, it is projected next year at 7 percent, and so on into the future. As a result of his economic policies, we are seeing a recovery.

In addition to being confronted with a recession, he was, of course, confronted with the fact that the United States was attacked, attacked mercilessly by evil people. The damage caused by that attack was not only personal loss, which was dramatic and obviously horrible, but it was also economic loss, having a significant impact on our economy and, as a result, causing us in the Federal budget to specifically have to spend a lot of money we hadn't anticipated spending fighting the war, and also having an impact on our revenues as a Federal Government.

The President has been prosecuting this war against terrorism in an extremely aggressive and appropriate way and the results are pretty obvious. We have not been attacked, now, for almost 3 years. We invaded Iraq to change a totalitarian, despotic regime, and we have been successful there. We have seen an extraordinary event there, the elections which just occurred. Afghanistan is on the road to democracy. The success in the war on terror cannot be denied. We are making significant progress, but it is still a war we need to fight and we need to expend considerable resources to accomplish that. So there has been this dual pressure put on our Federal Government: first a recession, and, second, fighting a war on terror that had not

been anticipated when this President came into office but has been well handled by this President since he has been in office.

As a result, we now confront some significant fiscal questions that we must address. Having put in place the tax cut, which has caused very strong economic recovery and which is starting to show significant revenue increases, and having pursued a course of fighting a war that has cost us a great deal of money, we now must make decisions on how we properly balance our fiscal house in Washington. The President has suggested we do that essentially by looking at all functions of the Federal Government and trying to address them in a comprehensive, thoughtful way, and at the same time in a fiscally responsible way.

There are two issues we confront in the area of fiscal responsibility. The first, of course, is the short-term deficit. How do we get this deficit down? How do we reduce its size so we do not end up taking bills that we are incurring today and passing those bills on to our children to pay tomorrow. The President has put forward a budget that reduces the deficit in half over the next 4 to 5 years. That is an extremely aggressive timetable, but it is one which is very doable. The President has put forward an aggressive and effective outline to accomplish that.

The second thing this administration has proposed is to address the outyear issue, which is even a bigger problem for us as a nation. This is a function of the huge population in this country called the baby boom population. We are going to see a massive shift in the demographics of this country. Beginning in the year 2008, the baby boom population will start to retire. It is the biggest population segment of our society, and the pressure that it will put on the systems that support our retirement, people who are in retirement, will be dramatic, both in the area of Social Security and in the area of health care.

As a nation we have had a very strong commitment to senior citizens, ever since the days of FDR. We can take great pride in the success of that commitment, and we intend to continue that commitment, but the whole genius of the Social Security system, and to a large degree the Medicare and Medicaid system, was the concept it would always be a pyramid; that there would always be a lot more people working than would be those taking out of the system; that there would be many people paying into the system to support individuals who are on retirement.

In 1950, for example, there were 12 people paying into the Social Security system for every 1 retired person supported by that system. Today it is about 3.5 persons paying into the retirement system for every 1 taking out

of that system. But because of the size of the baby boom generation, beginning in the year 2008 those numbers change dramatically, and by 2016 there will only be 2 people paying into the system for every 1 taking out, and we go from a pyramid to essentially a rectangle and it is simply not supportable in its present form.

The practical effect of that is that those children who will be working, our children and our grandchildren whom we want to see have a better lifestyle, those two people will have to pay a much higher burden of taxation in order to support that one person who is retired unless we do something about that, unless we address that issue.

So the issue is, do we want to pass on to our children a system that we know will not work, or that we know will put them in a position where they have to pay so much in taxes that their lifestyle will be less favorable than ours has been or will we address this issue today and start to get ready for that retirement boom, that large demographic shift, and as a result taking the burden off our children and grandchildren to a certain degree and assuring them that they also have a retirement system that works?

The President has not only suggested a budget which in the short term addresses the deficit by reducing it by half over 4 years, as I mentioned, he has also stepped forward on this critical issue and suggested we do need to address these major entitlement programs. And he has made proposals in the area of Social Security that have been hotly debated here and that will continue, obviously, to be a subject of considerable consideration.

In this budget he has specifically addressed the issue of entitlement spending, especially in the area of health care and Medicaid, and in a number of other areas such as agriculture. It is those entitlement programs which we as a Congress have an obligation to try to fix today so that they do not end up bankrupting our children and our children's children tomorrow.

The importance of this is highlighted by this chart behind me, the effect of entitlements on the spending of the Federal Government. If you look at this chart, the orange line is entitlement spending, the yellow line is defense spending, the red line is non-defense discretionary spending, and the bright red line is interest.

You can see that in the year 2000, entitlement spending was about 55 percent of the Federal budget. This year it will be about 56 percent. By the year 2015 it will be 64 percent of the Federal budget. As a result, it will essentially absorb all the revenues of the Federal budget—all the revenues of the Federal budget—unless we address these programs today so we have them in order so they do not put that type of pressure on our Federal budget and on our chil-

dren who have to pay the costs of that budget through their tax burden in the future. That is why reforming Social Security is so important. It is why this budget is such a positive step, a step in the right direction toward reforming the way we, as the Federal Government, operate. That is why I congratulate the President for it.

What the President has proposed is essentially a budget which, for lack of a better term, gores everybody's ox. He essentially has said: Listen, if we are going to get our fiscal house in order, we can have no sacred cows. Everybody's programs have to be on the table. We have to look at every program and prioritize in those programs. Yes, there is a significant increase in defense spending, but the increase in the defense spending is not as great as it had been projected it would be. In other words, the President has looked at the base, the defense spending base, and actually reduced that. If you don't believe me—you don't have to believe me on that. All you have to do is listen to some of the folks outside this building who advocate defense spending for programs they support. We are already hearing from a number of defense contractors, a number of people in the activity of supporting the Defense Department, that their contracts are being impacted because the defense budget has been reduced from what it was projected to be.

The President has put defense on the table. Obviously, he has put nondefense discretionary on the table; that is, all the other spending on the discretionary side in that he has limited the increase in these accounts to about 1 percent less than the rate of inflation. He has picked priorities. He has named 150 programs that he is either willing to reduce or actually eliminate. That is a courageous step on his part. The Congress doesn't have to stick with those priorities.

There are some programs I have concerns about, which everybody else in this Chamber has talked about—this program or that program. But we have to acknowledge the basic goal of limiting nondiscretionary to an increase of 1 percent, which is a reasonable goal. And within that increase, we as a Congress can set the priorities. We don't have to accept all 150 programs the President sent up here as his suggestion for places where we cut or where we will reduce programs. We can pick other programs, but we do have to pick. That is our responsibility in governance.

We have to be willing to step up to the table and say yes, there are priorities in times of a tight fiscal process. We have to make some difficult judgments, and those judgments should be subject to a limitation—a number on which we all agree. And, in my opinion, the President has picked a reasonable number, which is about a 1-percent rate of cut in these accounts.

In the entitlement area, the President has also said we have to slow the rate of growth of entitlements. This chart, as I mentioned, shows that as being an absolutely critical decision. It is about time we do.

He, of course, has suggested an entire national debate on the issue of Social Security. It is not part of this budget. In the Budget Committee, I don't have much impact on Social Security. It is outside our purview. But he also has been willing to step forward on a number of other entitlement programs—specifically Medicaid, where he has made a suggestion which I think makes a lot of sense as a goal. He essentially said, Governors, we will give you an increase that you can use for the purposes of bringing more kids into the Medicaid Program, which is what our goal should be under Medicaid, but the increase isn't going to be as great as you want. However, at the same time, we are going to give you dramatically more flexibility on how you spend that money.

I don't know a Governor who is worth his or her salt in this country today who wouldn't be willing to get a little less money with a lot more flexibility and feel they can do a lot more effective job of delivering that money and getting services out to people who need Medicaid.

I think it is a good proposal, the type of proposal we should embrace and say that is probably going to be very good policy.

In any event, the difficulty of slowing the rate of growth of Medicaid and giving more flexibility to the Governors is one which I think we as a Congress can move forward and hopefully can be part of the budget.

I don't get to make the decisions as Budget chairman. I don't get to make any decisions. The leader may make decisions, and the Senator in the chair. But as Budget Committee chairman, I theoretically put forward a budget—sort of a blueprint, the mark that people work off of for the rest of the year. The Budget Committee comes out with top-line numbers. Then it is up to the Finance Committee to do the mechanics of how that number is going to work.

The President has laid out those specific ideas. But the Finance Committee is led by some very creative people. Senator GRASSLEY is one of the most creative people around. He has a talented group of people who may come up with a different way to approach this. But we should be able to agree that the rate of growth of those entitlements should be slowed. The same is true in other entitlement accounts which the President has addressed. I congratulate him for that.

There are two issues which have received a fair amount of attention from the press, and from the naysayers who gather around this Capitol talking

about fiscal discipline, trying to use this basically as a straw-dog argument. I always ask these folks, Where is your idea? Where are you going to make your difficult decisions for controlling spending? You don't usually get that answered. What you usually get is this: He doesn't include the issue of the war costs; or, he doesn't account for his tax cuts; or, the tax cuts are too high.

Let us address both of those issues.

First, on the war costs, the war costs should not be in the basic budget. They should be accounted for, and we are going to account for them. They should be very visible and transparent, and they will be. But these are not one-time items. Unfortunately, they are not. They are certainly two- or three-time items, and they won't be occurring 4 or 5 years out. This is a 5-year budget. The war will be over, hopefully, within a year or a year and a half when our need to put a lot of money into Iraq will drop dramatically. It is looking like that may be the case after these elections. We don't want to build into the base of the Defense Department the war costs so that 5 years from now we are giving the Defense Department all the money they are spending in Iraq as part of their base, because they are not going to need it.

This argument that the war costs are not included is a straw dog. It simply is not a good approach to fiscal accountability. It is appropriate that we account for it, and we will. It is appropriate that it be highlighted, and it will be. But it shouldn't be built into the base of the budget if 3 or 4 years from now we would be spending a lot of money on defense which was spent on the Iraq war and it should not be spent any longer on defense; it should be spent on something else or returned to the taxpayers in tax cuts, which gets me to the second issue.

You can't have it both ways, but some of our colleagues would like that. You cannot be opposed to the tax cut 2 years ago and then say taxes need to go up this year when the numbers show pretty distinctly two things.

One, as I mentioned earlier, because of the tax cut the recession was shallower, more people got back to work quicker, more people had money in their pockets to spend sooner, and as a result the economy recovered faster.

Two, tax revenues are up. They are up dramatically, and they are projected to continue to go up. They are up by 9.2 percent last year, 6.5 percent this year, and headed toward 7 percent next year. They are headed to continue to grow at that type of compounding for the foreseeable future, which means tax revenues are headed back to their historical place as a percentage of gross national product, which is about 7.9 percent; and they are getting there because we have more economic activity as a result of having put in place tax laws which create an incentive for

capital formation—jobs and economic activity.

The tax cuts are working in generating more revenue. If you were to raise taxes now on top of this embryonic economic recovery we are experiencing, you would flatten the recovery. And as a result, you would probably be reducing revenue rather than raising revenue because the economy would start to slow down. It would be the absolute wrong policy.

I await with great anticipation a budget from the other side of the aisle. I certainly hope they will put one out this year. They did not put one out when they were in charge of this place, and they didn't put one out last year, or the year before. I await with great anticipation to see the tax increases they will actually bring forward. Maybe they will be the same taxes or the exact same policy which we saw from Senator KERRY when he was in charge—not in charge. I should not say that, but when he was running for President. His proposal was to raise taxes on the highest income Americans and then spend the money, the net effect of which he was going to spend \$1 trillion more than he would take in which would have aggravated the deficit by \$1 trillion. That is, of course, a policy which, if those on the other side of the aisle want to continue to debate, we look forward to debating.

The bottom line is this: The President has proposed a stringent, responsible budget which moves us toward reducing the deficit by half in the next 4 years. That is what we need to do.

More importantly, the President has stepped forward on the key issues of the outyears—specifically Social Security and entitlement spending—to try to address so we can assure our children do not end up having to pay so much in taxes in order to support us in our retirement years when they cannot live as good and as full of a life as we have had.

I congratulate the President on his budget, and I look forward to working with this Congress in passing such a budget and moving toward fiscal responsibility in this country.

I thank the Chair. I yield the floor.

The PRESIDING OFFICER (Mr. ALLEN). The majority leader.

EXTENSION OF MORNING BUSINESS

Mr. FRIST. Mr. President, I ask unanimous consent that morning business be extended 10 minutes to each side.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Georgia is recognized.

FISCAL RESPONSIBILITY

Mr. CHAMBLISS. Mr. President, I am pleased to hear our Budget chairman stand up and talk about real fiscal