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Act For Our Kids

Mr. DORGAN. Mr. President, this nation was founded on the principle that the future matters more than the past. It was the first nation in the world so conceived. The Founders took great pains to ensure that each generation would get a fresh start, free of the encumbrances of the past. They abolished primogeniture, entail, and hereditary titles. Jefferson for one believed that every twenty years or so, the books of the federal government should be wiped clean, so that prior generations would not be able to fob their debts off upon later ones who would have no say in the matter.

Over the last half dozen years, we have done exactly what the Founders of this nation did not intend. We have heaped debt upon debt on the backs of our children and theirs – the very people the Founders thought should be free of such debts. In just about every corner of government and policy, the story has been the same – let’s have a party today, and let our kids and grandkids clean up the mess. We’ve done it with energy, the environment, and, perhaps most of all, we have done it with the federal budget.

Just six years ago, we had our fiscal house in order. The government had \$5.6 trillion in projected surpluses between 2002 and 2011. We were paying down the debt. But now it’s changed. We racked up the second largest deficit in our history in 2003, our largest deficit ever in 2004, the third highest deficit in 2005 and the seventh largest deficit last year.

The Administration can claim to be making progress only by leaving out of its budget plans the full cost of the ongoing war against terrorism, long term relief from the alternative minimum tax, using Social Security surplus revenues for unrelated spending and by generally setting expectations so low that even failure looks good by comparison. But the reality, of course, is unless the nation’s fiscal policies are dramatically changed, we are going to see large deficits for many years in the future. At the current rate the accumulated debt of this government will grow from \$8.6 trillion today to over \$12 trillion by 2012.

That projected debt is bigger than the economies of Japan, Germany, France, the United Kingdom and Canada combined. It’s almost \$39,000 for every man, woman and child in this country. Meanwhile, the Administration has provided big tax cuts for people who use them to buy third homes, pricey wines and three-hundred-dollar dungarees. This is Me-Generation economics. It is economics that says, “Let others make the sacrifices while we have a bash.” It is the total opposite of the economics envisioned by the Founders of this country, who said that we should meet our own obligations, clean up our own messes and pay our own way, so that those who come after us can have a future that is clear and bright.

To this end, I rise today to introduce legislation called the *Act For Our Kids* that I hope will help spark a serious discussion in the U.S. Congress, and across our country, about putting the federal government’s balance sheet back in order. This legislation provides for a package of federal

spending cuts and more revenue that would raise nearly \$76 billion the first full year and some \$205 billion over five years and every penny would be used to reduce the federal deficit! It is a real first step in acting like we are serious about fixing our fiscal policies and paying our bills.

Mr. President, last year on the Senate floor I spoke about an agenda that Congress could be pursuing that would benefit all Americans. Among other things, I said that two of our top priorities ought to be paying our bills and taking care of our kids. Regrettably, however, the Administration and the majority in Congress at that time adopted a card credit mentality to fiscal policy that would make even the most aggressive credit card companies blush. If a part of the American dream is ensuring that one's kids and grandkids get at least the same opportunities that we had to climb the economic ladder to success, then the federal government's recent approach to fiscal policy has been a full-blown nightmare.

Unless we change the direction of our fiscal policy, the federal government will "borrow" trillions of dollars of Social Security surplus revenues over the next decade to pay for tax cuts and other spending. Social Security faces significant financial challenges as the baby boomers retire in the years ahead. Loading up the country with more debt and diverting needed revenues away from the Social Security program will only make the program's fiscal problems worse, not better.

The real question is how are we going to dig ourselves out of this fiscal quagmire? The solution offered by the White House and the Republicans in Congress was simple: They said let's run up our federal credit card balances even more, while at the same time giving more large tax cuts to the richest Americans.

And if President Bush is successful in permanently extending the bulk of his previous tax cuts that mostly benefit the wealthiest Americans, as he proposed in his Fiscal Year 2008 budget submission just this week, another \$2 trillion in revenues will be lost over the next decade.

Frankly, I am not aware of any instance in the history of this great country where those in charge of the federal purse decided to cut revenues on such a large scale while in the midst of war. Today we ask our young men and women in uniform to sacrifice so much, yet the wealthiest among us are not asked to contribute even a portion of their tax cuts to what we are told every day is a noble cause.

In one of his famous fireside chats, President Franklin D. Roosevelt described our obligation as citizens to support our troops during times of war. He said:

"Not all of us can have the privilege of fighting our enemies in distant parts of the world. Not all of us can have the privilege of working in a munitions factory or a ship yard, or on the farms or in oil fields or mines, producing the weapons or the raw materials that are needed by our armed forces. But there is one front and one battle where everyone in the United States – every man, woman and child – is in action....That front is right here at home, in our daily lives, in our daily tasks. Here at home everyone will have the privilege of making whatever self-denial is necessary, not only to supply our fighting men, but to keep the economic structure of our country fortified and secure during the war and after the war."

The sentiments of President Roosevelt's remarks are truly lost on an Administration that has borrowed every dollar it has used to pay for the war in Iraq and the global fight against terrorism.

I think the American public understands that one of our obligations as U.S. citizens is helping to defend this country in whatever way is best. But what we have been missing is leadership and at least some measure of fiscal discipline in paying our war debt and getting other parts of our fiscal house in order.

Mr. President, it is unfair the pile up this massive debt and heave it onto the shoulders of working families and their children. The federal government is expected to pay \$3.3 trillion in interest payments on the debt alone during the 10-year period ending in 2017.

The legislation I am introducing today includes a number of proposals that, taken together, would reduce the federal deficit by my estimate \$205 billion over the next five years.

First and foremost, this bill requires federal agencies to tighten their belts by cutting their administrative overhead expenses. Before we ask others to make sacrifices needed to reduce the nation's debt load, federal agencies must do their part.

My legislation includes other targeted cuts in federal spending and will make changes to the tax code to ensure that the wealthiest Americans and most profitable multinational companies that do business in this country pay their fair share of taxes -- revenues that are needed to defend this nation and keep our economy strong and growing.

Among other things, the *Act For Our Kids* would do the following:

Spending Reductions

- Cut federal agency administrative overhead by 5 percent for fiscal years 2008 through 2012 and save taxpayers an estimated \$30 billion. This proposal would reduce "nuts and bolts" expenditures, including those relating to agency travel and transportation, advertising, office supplies, conferences and equipment. These savings must come from the bureaucracy, not programs. It is generally understood that administrative expenses do not include personnel compensation and benefits.
- Eliminate \$3.5 billion that remains in a giveaway fund in the Medicare drug plan. The 2003 Medicare drug bill included a \$10 billion "slush" fund that the Secretary of the U.S. Department of Health and Human Services could tap to entice regional preferred provider organizations (PPOs) to participate in Medicare. This fund has been roundly criticized by policy experts as an inappropriate use of federal resources. The Senate has previously supported eliminating this fund altogether and legislation enacted by Congress late last year used \$6.5 billion of the \$10 billion in the fund for the physician payment fix.

- Make drug importation legal and safe. This will not only help consumers by reducing the cost they pay for prescription drugs, but will save the federal government and therefore taxpayers an estimated \$1.6 billion in federal health program costs in the five years after its enactment.
- Stop providing federal funding for TV Marti broadcasts into Cuba that are jammed and therefore are not watched by their intended recipients. This provision would save U.S. taxpayers an estimated \$100 million in the next half decade.
- Restore honesty and accountability in federal contracting by, among other things, reinstating a federal rule that would deny federal contracts to companies with a pattern of overcharging the government or violating other federal laws, including tax, labor and consumer protections. Other provisions in the bill would crack down on corporate cheaters and require full disclosure of contracting abuses. It requires real contract competition, bans corporate cronyism and takes other significant steps to ensure that federal contractors, large or small, are not gouging American taxpayers. Based on information derived from similar experiences in the past, and more recently, one could easily expect these reforms would save the federal government some \$6 billion over a five-year period.
- Abolish the U.S. Court of Federal Claims. The docket of the Court of Federal Claims includes a hodgepodge of cases, including patent cases, claims involving Indian property, vaccine injury cases, claims arising from the internment of Japanese Americans, and cases arising under the Fifth Amendment's takings clause. The light caseload of this court could be handled more efficiently by Federal district courts. This elimination of the Claims Court would result in additional taxpayer savings of tens of millions of dollars over five years.

Revenue Enhancements

- Impose a temporary 2% emergency tariff on all imports for two years to help correct our country's \$800-billion-plus trade deficit. Article XII of the GATT, which has been incorporated into the World Trade Organization, specifically allows member countries to impose tariffs to correct a balance of payment crisis. Temporary emergency tariffs over two years would help address this crisis, while raising an estimated \$66 billion for deficit reduction.
- Prevent tax avoidance for U.S. multinational companies that move profits to offshore tax havens by generally treating their controlled "paper or shell" subsidiaries set up in foreign tax-haven countries as domestic companies for U.S. tax purposes. This proposal would save taxpayers another \$5.8 billion over five years.

- Repeal the perverse federal tax subsidy called tax deferral for U.S. companies that shut down manufacturing plants in the U.S. and move jobs abroad, only to ship their now foreign-made products back into our country. Killing this ill-advised tax break for runaway manufacturing plants would help level the financial playing field for domestic manufacturers while saving taxpayers some \$4.2 billion over a five-year period.
- Clarify and enhance the application of the economic substance doctrine that courts apply to deny tax benefits from business tax shelter transactions that do not result in a meaningful change to the taxpayer's economic position other than a reduction in their federal income tax. This proposal would save taxpayers an estimated \$5.8 billion over the next five years.
- Rescind on a prospective basis a portion of the major tax cuts passed by Congress since 2001 for individuals who are earning more than \$1 million annually. Providing some \$90 billion in additional large tax cuts over the next five years for millionaires when the nation is still accruing massive debt and paying ongoing war costs is irresponsible in my judgment.
- Disallow the tax deduction for punitive damages that are paid or incurred by taxpayers as a result of a judgment or in settlement of a claim. Allowing a tax deduction for punitive damages undermines the use of punitive damages to discourage and penalize the activities or actions for which punitive damages are imposed. Making this change would save taxpayers about \$130 million over a 5-year period.
- Lift the U.S. ban on travel to Cuba by U.S. citizens. Repealing this obsolete and ineffective restriction on travel to Cuba would raise an estimated \$1 billion in U.S. tax revenues over five years from increased U.S. business activity.
- Extend permanently the Federal Communications Commission's (FCC's) authority to auction licenses to those using the radio spectrum. This FCC authority was recently extended by Congress through 2011. A permanent extension of this authority would raise \$1 billion between 2012 to 2016, about \$200 million annually starting in 2012.

The provisions I have highlighted above and others in the bill would help reduce the federal debt by what I roughly calculate is \$205 billion over the next half decade. I understand that this package does not fully cover our outstanding debt obligations. But I think it is a reasonable and balanced package of spending cuts and revenue enhancements that offer a first installment that will help us begin a thoughtful process of curbing our addiction to deficit spending and hopefully head us once again toward truly a balanced budget not counting Social Security surplus revenue that should be set aside for future beneficiaries, and not used for unrelated spending.

Garrison Keillor once said, "Nothing you do for children is ever wasted. They seem not to notice us, hovering, averting our eyes, and they seldom offer thanks, but what we do for them is never wasted."

I believe that one of the greatest gifts we can give for our kids is a future without a mountain of debt from under which they may never dig out. To make this happen, however, we need to set aside our differences and come together, Republicans and Democrats, conservatives and liberals alike, and begin to confront our recent obsession with debt financing. When we decide to do so, our nation will be better for it, and so will the future of our children.