Statement by Senator Kent Conrad (D-ND)
on Paygo Amendment to the FY 2007 Budget Resolution
March 9, 2006

The first amendment, I would say to the members, is the paygo amendment – which I am offering along with Senator Feingold, Senator Nelson, and Senator Wyden – to restore the budget discipline that has helped us in the past.

It is, I think, undeniable that our budget outlook is a disaster. Instead of paying down debt in preparation for the retirement of the baby boom generation, the federal debt has exploded as this chart shows. At the end of 2001, our debt stood at $5.8 trillion. By the end of this year, the debt will be $8.6 trillion, and under the President's budget and under the Chairman's budget, with the cost of alternative minimum tax reform added back in and war cost beyond next year added in, gross debt will soar to nearly $12 trillion by 2011.

I believe we should take the advice of former Federal Reserve Chairman Alan Greenspan. Here is what he said about the need to restore paygo: "All I'm saying is that my general view is I like to see the tax burden as low as possible. And in that context, I would like to see tax cuts continued. But, as I indicated earlier, that has got to be, in my judgement, in the context of a paygo resolution."

The bipartisan budget watchdog group, the Concord Coalition said the same thing: "Exempting tax cuts from paygo does nothing to promote fiscal discipline. It would neither control spending nor shrink the deficit." And the final sentence: "Since spending and tax decisions both have consequences for the budget, there is no good reason to exempt either from enforcement rules."

That is what we ought to do. We ought to impose the discipline we did in the past and say if you want new spending on the mandatory side you can have it, but you have to pay for it. If you want more tax cuts, you can have them, but you have to pay for them.

Finally, the amendment that Senator Feingold and I and others are offering today would simply require that new mandatory spending or tax cut legislation be paid for or get a supermajority of 60 votes in the United States Senate. It would restore the old, stronger paygo rule by simply getting rid of the paygo exemption for policies assumed in any budget resolution.

Let's restore paygo. Let's really pay as we go. Let's close the loophole. Our amendment doesn't say we can't have tax cuts or mandatory spending increases. It does say you have to pay for them. So, I hope that those who are serious about fiscal responsibility will support the restoration of the budget discipline of paygo.

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Additional Comments During Amendment Consideration:

I have never heard arguments like this advanced in opposition to a proposal that has worked so well in the real world. The fact is when we reduced deficits and returned to balance we had the real paygo rule in effect. It helped discipline the process on both the spending side and on the revenue side.

And what we have now is a runaway train of debt on top of debt. Now, we can be naysayers and say, 'Well, paygo, we don't want to do that, we have all kinds of technical reasons why.' But the fact is the last time we made meaningful progress on reducing deficits we had the paygo rule in effect on both spending and on revenue.

In terms of going back over this question of revenue, here's the total revenue of the United States going back to 2000. We had a massive tax cut in 2001 and your side all said that was going to result in more revenue. Let's go back and factually check now what happened. Did we get more revenue? No. After the 2001 tax cuts, revenue went down in 2002. In 2003, we had more tax cuts. Revenue was still, the next year, well below where it was back in 2000. We didn't get back to the same revenue base that we had in 2000 until last year. That's in dollar terms.

As a percentage of GDP, which is what economists would encourage us to look at, the picture is even more stark. Here's what happened to the revenue base after the tax cuts of 2001 and 2003 – the revenue base collapsed, down to the lowest level as a percentage of GDP since 1959. Now, we've had a slight recovery, but the fact is we're still well below where the spending is.

And there's got to be a decision – if you want to have balanced budgets, you either have to dramatically cut spending, which this budget does not do, or you have to raise revenue, or you have to do some combination, and this budget takes a walk on all of it. This budget just says stay as you go; keep running up the debt; keep piling it on; keep overcharging the credit cards. That's what this budget does. And we're saying, let's stop it. Let's stop it together. Let's put back in place the discipline that we had before that helped us return to budget sanity.