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BUILDING MOMENTUM FOR FISCAL RESPONSIBILITY:
A DISCUSSION WITH MAJORITY LEADER STENY HOYER

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P R O C E E D I N G S

MR. HASKINS: Welcome to Brookings. My name is Ron Haskins. I'm a senior fellow here and, along with Belle Sawhill, the co-director of our Center on Children and Families. Today it's my great privilege to introduce Representative Steny Hoyer, representative from the 5th District of Maryland, now in his 15th term in Congress, and since 2006 he's been the Majority Leader of the House of Representatives.

Mr. Hoyer has a reputation for seeking bipartisan solutions, an approach that's been increasingly discarded in these fortunate times, and he'll soon get the opportunity to test these skills as he never has before.

From the perspective of the Brookings Budgeting for National Priorities Program, which has been engaging in outrageous acts of fiscal pleading and making equally outrageous proposals for cutting spending and increasing taxes for seven years now, Hoyer is the second most important politician in Washington after the President. I say this because he's been a steady and unwavering voice for restoring fiscal sanity. To do so, he has already broken with many of his colleagues in publicly showing his willingness to put everything on the table and entertain strong measures to move the federal budget toward balance.

I believe he was the first leader in Congress, for example, to publicly declare his support for a bipartisan budget commission. In announcing his support in the fall of 2007, he said this, "While I would like to believe that Congress could address these issues through the regular legislative process, the experience of recent years suggests that this is extremely difficult in the current political environment."

Anybody want to disagree with that? Well, he got his wish. We now have two prestigious commissions and I have no doubt that at least one of them, by this fall, will

issue a report that includes proposals that will gore everyone's ox, including reductions in projected spending, on Social Security and Medicare, and revenue increases that include tax increases. At that moment, Steny Hoyer will be one of the most important congressional leaders in the nation's history and will undoubtedly be the most steadfast voice in Congress for fiscal responsibility and tough decisions. I pray every night that Republican leaders will join him.

Mr. Hoyer's topic today is "Building Momentum for Fiscal Responsibility."

REP. HOYER: Mr. Haskins is in charge of hyperbole here at Brookings, but at least one of us in the room appreciated it. Thank you so much. I am very pleased to be here.

Ron, thank you again. I'm pleased to be here at Brookings that does such extraordinary work. I want to thank my good friend Alice Rivlin for being here as well, Bill Frenzel. Congressman Frenzel and I, on opposite sides of the political isle, but in my view not on opposite sides of this issue. I think we're really in agreement.

Tom Mann, thank you as well for being here and thank you for the work that you do in helping people understand a body of Congress that sometimes is very difficult to understand even from the inside, much less the outside.

And thank you all for giving me some of your time this afternoon.

Never in my decades in Congress have I seen a public so outraged by deficits and debt, but this moment of historic awareness is also, I think, a moment of historic opportunity. We can waste it on opportunism and slogans and symbolic solutions, or we can dedicate ourselves to the painful, unglamorous, and indispensable work of fiscal discipline. We can choose to hang together, in the words of Ben Franklin, or we'll hang, surely, separately. I believe and hope and expect that we will hang together. The consequences of failure are dramatic enough to concentrate the mind of even the most dedicated cynic.

It is enough to see that by the time my grandchildren and great granddaughter are in college, our debt will exceed our GDP. We will owe more money than the value of our entire economy. It is enough, I think, to realize that by then our government will exist to do only two things: pay for entitlements and pay interest on our debts, with essentially nothing left over for our nation's defense, for our children's education, for innovative scientific research, or for any of the other critical investments that keep America the home of freedom and opportunity.

It is enough to look across the Atlantic at Greece's extreme economic crisis and understand it can happen here, as unthinkable as that may have been. If we don't change our course, it will happen here.

In their look at eight centuries of financial crises, economist Carmen Reinhart from the center of intellectual knowledge in the world, the University of Maryland -- I'm into hyperbole myself, Ron -- right, and Kenneth Rogoff of Harvard remind us that America is no exception to the law of debt. They point out that economic contractions are often followed by budget crises that dampen prosperity and stall recovery.

I quote from their book, "If there's one common theme to the vast range of crises," they write, "it is that excessive debt accumulation often poses greater systemic risk than it seems during a boom. Government debt is the unifying problem, the common symptom of decline."

Reinhart and Rogoff add that public debt exceeding 90 percent of GDP is often a tipping point into these crises, a point we are on pace to reach very soon. It's interesting that Senator Tom Coburn made that same point in an op-ed that he wrote in the Washington Post this past weekend.

They went on to say, "this is how empires decline" -- excuse me, historian Neal Ferguson said that. It begins with a debt explosion. This then is our turning point and

our choice: the point at which we join the debt-ridden powers who saw the story of their greatness end in fiscal ruin or the point at which we, as a nation, refuse that ending and write a new chapter.

It is a waste of time, of course, to hand out blame. There's only one constructive reason to look back at what got us here and that is to identify the kind of thinking we must avoid. That's why there is such deep harm in the mindset that holds that our budget deficit snapped into existence on January 20, 2009, because it draws exactly the wrong lessons, it would doom us to repeat the same mistakes.

As the nonpartisan Center on Budget and Policy Priorities puts it, and I quote, "Asserting that the deficits that lie ahead are primarily the result of policies enacted since President Obama took office is Orwellian. It stands the truth on its head."

The Recovery Act, for instance, has saved or created between 1.5 and 2 million jobs according to CBO, but it has contributed only fractionally to our deficits. So that - what do the facts say about why we're in this hole? Because, as the Center shows, and again I quote, "The tax cuts enacted under President Bush, the wars in Afghanistan and Iraq, and the economic downturn together explain virtually the entire deficit over the next 10 years."

The most important lesson we can draw from years of recklessness is this: When it comes to budgeting, what is politically easy is often fiscally deadly. It is easier to pay for tax cuts with borrowed money than with lower spending, easier to hide the true costs of war than to lay those costs before the people, easier to promise special cost of living adjustments than explain why an increase is not justified under the formula in law, easier to promise 95 percent of Americans that we won't consider raising their taxes than to ask all Americans to contribute for the common good. Those kinds of easy choices are so often selfish choices because they leave the chore of cleaning up to someone else. Easy choices

may be popular, but the popularity is bought on credit.

Washington's behavior will only change with the incentive to change, when voters demand more responsibility and when the political price for easy choices rises sharply. As I said, I'm hopeful that's just what is happening today.

The public has a responsibility too, of course, to educate itself about the sources of the deficit and the range of realistic solutions, not to demand that government continue to escalate entitlement payments and lower the deficit all at the same time. We can't meet this challenge unless the public is ready to confront tough choices and unless leaders in both parties are ready to be honest about those tough choices. When deficit solutions meet resistance, which they will, of course, and when they are painful, which they will be, it is our job to explain why they are also correct and absolutely essential.

I believe we do have a President and a Congress that can and will take that responsibility seriously. President Obama and Congress have taken four major steps to return our country to fiscal health.

First, President Obama proposed a budget that would cut our deficit by more than half by 2013. That is perhaps more conceptual than real at this point in time. It will be real, however, if we show courage in Congress. It also contains a freeze on non-security discretionary spending that will force Congress to rigorously identify priorities within a set framework. It's true that less discretionary spending will barely put a dent in the deficit, however. That focuses, of course, on approximately 14 percent of the budget that confronts us.

As former Republican Senator Alan Simpson explained, and I quote, "To say that all we have to do is take care of waste, fraud, and abuse, and foreign aid, is like a sparrow's belch in the midst of a typhoon." Colorful and correct. But our willingness to curtail the growth of programs we value is powerful evidence that Washington will tighten its

belt before asking the public to do the same.

Defense spending is exempted from that freeze because we should ensure that our men and women in uniform have the resources necessary to do their job while they're in harm's way, but that does not mean that defense spending should be exempt from cuts where they do not undermine the mission we have set for our military. We must apply the same oversight to defense spending as we do to other discretionary spending. That's why in another second deficit-cutting step President Obama signed a bill to reform weapons acquisition, bringing the process more competition and fewer conflicts of interest.

A GAO report recently said that the 96 largest weapons systems alone that we've contracted for over the years are responsible for \$296 billion in cost overruns. That kind of defense waste only makes America weaker, not stronger in the long run.

Third, we continue to work to pass a health insurance reform bill that is not only deficit neutral, but takes on the skyrocketing health care costs that are the single greatest driver of our deficits. Its passage will be a step, though certainly not the final one or only one, toward ensuring the fiscal sustainability of our health care entitlements for decades to come. In fact, according to the Congressional Budget Office, the health care reform bills that passed the House and Senate last year would be fully paid for in the first decade and reduce the deficit by approximately \$1 trillion in the second decade.

And fourth, we brought back the "pay-as-you-go" law. President Clinton used PAYGO to help turn deep deficits into a \$5.6 trillion projected 10-year surplus. That policy, of course, was adopted in a bipartisan way in 1990 and reaffirmed in a bipartisan way in 1997. It was then, as all of you know, in the early decade of this century, in 2001 and 2002, waived; and then in 2003, not reauthorized. The decision by President Bush and a Republican Congress to do away with PAYGO paved the way, I think, for record borrowing and threw us back into the red.

Whether it comes to cutting taxes or increasing Medicare benefits, PAYGO is so valuable because it removes from the table the easy and usually unspoken solution: We'd rather our children pay for it.

I was proud to sponsor the PAYGO law. Paying for what we buy can't get us out of our hole, but it can stop us from digging it deeper. The PAYGO law did include exemptions for extensions of current policies, but I think that the attention given to those exemptions has obscured the importance of applying real discipline to new policies. For instance, the principle of paying for what we buy applies to the enormous fiscal issue of health insurance reform restraining spending. The requirement that we include tough choices to offset the cost of expanding access to health insurance has made the task of passing the legislation harder, but it will prevent Congress from creating a massive, unfunded liability.

By contrast, the Medicare Prescription Drug Program that was enacted after statutory PAYGO lapsed, created an unfunded liability of more than \$7 trillion.

It's also important that we passed a PAYGO law capable of responding to emergencies and recessions. Congress will use the emergency designation to provide for the extension of unemployment and other safety net programs which traditionally have been designated as emergency spending during recessions. It seems to me that's appropriate, but we must work to offset the cost of all other parts of our jobs agenda.

Cutting the deficit can strangle job creation obviously. I have told my friends in the press who meet with me regularly that you can't stimulate and depress at the same time. We need right now to stimulate. But if we stimulate now without a thought of tomorrow discipline that is essential, we will not serve either now or the future well.

All of these steps are essential, but they're not enough to return our budget to balance.

President Obama is creating a bipartisan fiscal commission, of which Ron spoke. Along with Speaker Pelosi and Majority Leader Reid, I pledge that its recommendations will get an up or down vote in Congress. A statutory provision which was unable to be passed would have assured that, but Senator Reid, Speaker Pelosi, and I have all given such assurance. Given the seriousness of our situation, the commission must come to a consensus, and Congress must act on its proposals at the end of the year.

The President has appointed two proven budget balancers to chair the commission: former Clinton White House Chief of Staff Erskine Bowles and former Senator Alan Simpson. Not only do they understand budgets, but they understand politics, and we need both understanding to be successful.

I hope congressional Republicans will take the work as sincerely and seriously as the chairmen take it. I hope my own colleagues will do so as well, that they will come to the table without preconditions, ready to contribute their ideas and not just their criticism from the sideline.

The commission has a bipartisan pedigree and it won the votes of 16 Republicans in the Senate. I was, of course, disappointed to see that seven Republican supporters of the commission bill, including the Minority Leader, decided they were against it as soon as President Obama endorsed.

President Reagan and Speaker O'Neill worked on Social Security reform in the '80s, as all you know, and the Republican reaction to the Medicare changes in the health care bill, both teach the same lesson. The real work of cutting deficits is so easy to demagogue that it rarely succeeds, and in this instance will not succeed, in my opinion, unless we have support from both sides of the aisle.

That's one of the reasons why the fiscal commission must not take any option off the table, from raising revenues to cutting entitlement spending. And that's why both

parties have a duty to appoint members who are willing to compromise and, as well, make tough decisions. It's also clear to me that the commission, if it takes a one-handed approach, it will fail, both politically and substantively.

I want to say a word about Congressman Ryan's thoughtful budget proposal. I think that proposal shows what an approach looks like when it relies entirely on cutting spending. He should, however, be commended -- and I've commended him -- for putting together a serious and detailed plan to tackle the deficit. It doesn't raise a single tax, but, as a consequence, it significantly changes Medicare.

We can argue about that, but what we ought not to argue about is that somebody has put on the table a very serious and politically risky proposal. That strikes me, in terms of cutting Medicare, very deeply, to accomplish the objective without any thought of additional revenues from any source. It strikes me as I think it would strike most Americans as very much the wrong solution.

But Congressman Ryan deserves respect for his honesty, for being one of the few members of his party or either party to tell the public exactly what he'd cut. That's far better in my view than pretending that the solution to higher deficits is simply lower taxes and wishful thinking.

In fact, as much as his party's leadership tries to distance itself from his plan, Paul Ryan's program, or something very much like it, is the logical outcome of the other party's rhetoric of cutting taxes and deficits at the same time. It seems to me that the only solution that can win the support of both parties is a balanced approach, one that cuts some spending and raises some revenue while avoiding extremes in either direction. A balanced approach would spread the effects of change across America's society rather than concentrating them simply on seniors.

Now what are our options on a budget agreement?

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On the side of entitlement spending, an agreement might recognize that Americans are living longer lives and raise the retirement age over a period of years as we did in 1983, or even peg the retirement age to lifespan.

Another option is to make Social Security and Medicare benefits more progressive while strengthening the safety net for low-income Americans. That could preserve those programs as a central part of our social compact while protecting, at the same time, their ability to help those in the greatest need.

On the side of revenues, President Obama was correct in my view in refusing to take any options off the commission's table. No one likes raising revenue and understandably so, but if you're going to buy, you need to pay. In 1993, President Clinton proposed an economic plan aimed at accomplishing fiscal balance, and he paved the way for the greatest American prosperity in a generation. The bipartisan tax compromise in 1986 also showed the importance of a simplified, more efficient tax code. If need be, I'm hopeful that both parties will agree to look at revenues as part of the solution, not as a gateway to higher spending, but as a part of a compromise that cuts spending and balances the budget.

None of this, of course, as all of you in this room know, to put it mildly, is easy. It will take bipartisan trust. There's not much of that in supply nowadays. Presidential leadership, I think there's a lot of that in supply. And a public spirit that many assume is beyond America's reach in the year 2010, but I do not share that cynicism because America has made a career of proving such cynicism wrong.

As Jim Fallow recently wrote in *The Atlantic*, and I quote, "During just the time when Frederick Law Olmsted designed Central Park, when Theodore Roosevelt set aside land for national parks, when Dwight Eisenhower created the Pentagon Research Agency that ultimately gave rise to the Internet, the American system seemed broken,

too.”

Saving America from debt would belong next to those accomplishments because in every era these very fiscal issues are among the greatest tests a nation can face. We're not the first great power to meet the challenges from within. We would not be the first to fail. Spain under the Hapsburgs, France under the Louis XVI, the Ottoman Empire in the 19th Century, the British Empire in the 20th -- all of them, all of them were crippled by borrowing, by interest payments, and by debt. We, of course, are not exempt.

In every era, these fiscal issues are questions of national security and national success, and in a democracy, they are questions as well of national character. They are not technical puzzles for a few of us in seminars, think tanks, and back rooms. They are a defining challenge for all of us.

In field hearings of the commission, on the radio and online and in family rooms, our willingness to face reality will be a measure of our character. Our willingness to reject easy answers from our leaders is a measure of that character. Our willingness to put the welfare of our children ahead of our own, to plant seeds for them whose fruit we may never taste is a powerful test of our character. More than wealth, more than might, those are the virtues that have made America flourish. Those are the virtues we need to meet that test.

So I can say with confidence if we are unable to raise our heads even for a moment above the daily partisan flight, if the collapse comes, we will deserve it. But if we regain a measure of our lost trust and support one another through shared sacrifice, and return our country to fiscal health and strength, we will deserve that as well.

Thank you very much.

REP. HOYER: Okay. I'm taking questions, I'm told.

Yes, the blue or turquoise, please, and then I'll go to you. Okay?

SHANNON: Hi. My name is Shannon. I work for LaRouchePAC, and I just wanted to briefly put my question in the context of --

REP. HOYER: I've got unerring choices. Go ahead.

SHANNON: -- of today's crisis, and that's the crisis faced by people outside the Beltway. Unemployment benefits are being cut. States' budgets are in major crisis. Medicare is being cut, and people continue to lose their homes and their jobs.

And Obama's answer in some of the legislation you just discussed is not to build a modern civilian-style conservation corps. It's not to return to a national bank and its policies. But it's to make more cuts in what you call balancing the budget or reducing the deficit.

My question is how much longer do you think the population will tolerate these policies from Obama and why shouldn't they warrant his immediate impeachment?

REP. HOYER: I told you I made unerring choices.

First of all, let me say something about President Obama. President Obama, in my opinion, probably took office at one of the most difficult times in our history and perhaps the most difficult since Abraham Lincoln.

Franklin Roosevelt had a deep economic crisis that he confronted, but there were two aspects to that crisis. First of all, he didn't have an international crisis until his second term really, until the middle and late '30s. So he had the economic crisis. Secondly, he had a populace that was educated to the fact that he needed to take very substantial action because this economic crisis had confronted them for at least three and a half years, four years.

That was not true when President Obama took office in January. In fact, most of America became convicted of the depth of the crisis that confronted us only in September of 2008, when we passed the so-called TARP bill, which was extraordinarily unpopular.

And let me say something about the TARP bill and bipartisanship because I've called for bipartisan here in making tough decisions, and we hear a lot about the lack of bipartisanship in the Congress, mainly from the minority party.

But I want you to recall the TARP bill when the Secretary of the Treasury, the President of the United States, and the head of the Federal Reserve came to Congress on a Thursday night, a Congress led by Democrats, and said that we are confronting a crisis, and if we do not act and act immediately the fiscal crisis may well result in a depression -- not a recession, but a depression.

Confronted with an administration albeit of the other party that said we were at a crisis, and having consulted many economists across the board of the depth of the crisis, and convinced that, in fact, the administration's representations were correct, the Democratic leadership responded to the President. Although they sent us a three-page bill and we expanded that bill by four or five times, that was still a pretty short bill. To act quickly, \$700 billion was put on the table.

That bill passed only after the second effort, as you recall. The President's own party did not support him on that. A third of them did and then almost half did the second time around, not quite half. And we passed that bill.

Then the President took office, and the economy was in very bad shape when he took office. There were 726,000 jobs being lost in the 3 months prior to his taking office, per month. The stock market was declining very rapidly, and the GDP was in some of its lowest declines.

In the last 4 quarters, we went from 726,000 unemployment. As a result of the passage of the Recovery and Reinvestment Act and the stabilizing of the fiscal markets, we went from 726,000 lost in the last 3 months of the Bush Administration to 35,000 lost on average in the last 3 months.

Now, that is progress, but not success. It's not getting to a plus of jobs. The Clinton Administration grew, on an average, 216,000 jobs per month during the 96 months of his presidency and created some of the best economic times that this country has seen, period, in terms of growth and expansion of the economy.

Under the stock market and those people who had investments in thrift savings accounts to 401(k)s, shortly after the passage of the American Recovery and Reinvestment Act was down at 6,500. It closed yesterday about 10-2, 3, or 4. That's up some 55 percent. That's an accretion of wealth for people's savings accounts. That is a positive step.

The GDP went from -6.4 percent to +5.9 percent. That's over a 12 percent turnaround in 12 months, from last quarter to last quarter, last quarter of '08 to last quarter of '09.

So my view is in response, a relatively long response, is that we have taken very substantial efforts to stabilize and to start growing the economy. I think statistically we've done that, but we're not in positive figures.

People -- there are 8 million people who have lost their jobs. Unemployment is still at 9.7 percent. That is way too high. And that is why we continue to address job creation. We did so in December when we passed a Jobs for Main Street Act through the House. It's pending in the Senate. The Senate has passed a smaller jobs bill; sent it back to us. We are considering that this week and hoping to pass something this week.

But certainly, I don't think it is not serious to say that anybody should consider impeaching this president who's shown a great deal of courage and effectiveness in confronting a dire situation. And he's taken a lot of heat for it, but I think he will continue to keep focused on growing the economy and growing jobs. We've seen success. We've

seen progress. Success will be when we get back to creating at least 100,000 jobs per month. That will keep us even. And you have to get substantially above 100,000 job a month to start creating jobs for those who have lost their jobs.

MR. HASKINS: Yes, sir?

SETH: Hi. My name's Seth. And first of all, I just want to thank you as well as President Obama for having the courage to take on this issue.

My question is I think that you guys in the House are doing a great job at advancing the agenda that the American people voted for in 2008; the Senate, not so much. And I guess the question that I have is, you know, on this as well as on other issues, how do we -- I guess one thing that I'm struggling particularly with this issue is if you guys do nothing, then the Bush tax cuts expire, right? So doesn't that give you some leverage to play a harder game, if you will, to get the agenda done?

I mean, if President Obama said I will veto any bill that extends the Bush tax cuts unless it balances the budget over a period of time, I mean, wouldn't he then have the kind of hard leverage that would be needed to build the trust, the bipartisan trust, that we need? And I say that not to be cynical. I mean, I just think that there might need to be a little bit of a helpful push to our Republican friends to come to the table in good faith.

So I was wondering if you could --

REP. HOYER: Well, that's a good premise.

SETH: -- maybe address that.

REP. HOYER: Yeah. Let me say that -- first of all, let me address just briefly the concern House members have and Americans ought to have with the Senate, and I want to say this in a constructive way. The Senate was designed as a, theoretically, more thoughtful, measured body. It was originally presumed to represent not the citizens of America, but the states of America, and elected by the elected representatives of the people

of the various states. It was then converted to a direct-elect body in the first part of -- early part of the last century.

Culturally, it conceives itself, however, in my view, as a group of 100 people, each of whom has the opportunity to stop progress. I don't think the Founding Fathers ever thought of it that way.

Last Friday, one senator -- one senator -- stood in the way of what we had passed on a unanimous consent, no vote -- Republicans, Democrats had agreed -- and essentially where, for all intents and purposes, we believe 99 people in the Senate believe that we should have extended unemployment insurance and COBRA protection for people. Now, there was also a highway bill in there and that impacts -- and some other extensions, satellites go dark perhaps today. I don't think they probably will; they'll probably work out something. We're going to try to pass this. But one senator objected and, therefore, there are millions of people today at risk on unemployment insurance and COBRA.

We need to do something about that as a people and the Senate needs to do something about that as a Senate, in my view, unrelated to party. This happened to be a Republican senator from Kentucky named Bunning, but -- who's retiring. And he indicated he was worried about his grandchildren, 40 grandchildren, and the costs that they would be incurring. Senator Durbin pointed out what he was worried about was the people who were going to not have sufficient next -- this week if we don't pass something to put food on their children's table.

Now, with respect to the second part of your question, repeat it. I was so focused on the first issue. You can tell we House members are somewhat concerned. We have 280-some-odd bills, Bill, pending in the -- Bill Frenzel here shared that. And one thing Republicans and Democrats in the House absolutely agree on: The Senate is a consternation at best. But we have 270 bills that we passed, 70 percent with more than 50

Republicans, that are still pending in the United States Senate and not passed.

Go ahead. Let me go to the substance of your question now. Repeat it.

SETH: Well, just in terms of encouraging our Republican friends to come to the table in good faith, I mean, I think we do want their ideas and their constructive input.

REP. HOYER: Absolutely.

SETH: How do we -- one thought that I have is that their passion for the Bush tax cuts --

REP. HOYER: Oh, I get it, okay.

SETH: -- some of which may be good, I mean, if Obama just threatened to veto (inaudible) balance the budget --

REP. HOYER: I get it now. Let me get to it. I remember it.

SETH: Oh, okay.

REP. HOYER: The tax cuts. The tax cuts, because they weren't paid for, under the budget rules expire in 2010, and because the budget required a longer payout and they weren't prepared to pay for them and this looks good on your budget. Now, the President's indicated that we're not going to raise the taxes on the middle class. Clearly, in my view, we would not want to raise the taxes on the middle class at a time of deep recession, period. Families are stretched and we have no intention of doing that, and so we will continue that. In fact, in the statutory PAYGO that I talked about, one of the exceptions was for the middle class tax cuts. We specifically delineated middle class.

Now, we generally refer to middle class as 200,000 individual, 250,000 family. Now, that -- obviously, most Americans would think that's a pretty good middle class they'd like to be in. But in any event, those are the figures we generally use. So I think you're going to see that they will be continued.

Under our statutory PAYGO, we won't have to pay for those. That's simply

a political rationalization. It's not a principle necessary, but it's a political rationalization which I think was accurate. And so we will use them at baseline rather than having to raise additional taxes. And in any event, you wouldn't want to raise additional taxes at that level at this point in time because of where we are in terms of this recession.

But certainly, what PAYGO does is it does focus the mind on having to pay for things, particularly entitlement things, things that are mandatory spending. It doesn't apply to discretionary tax cuts or mandatory. So that, hopefully, as we move forward, and if we keep statutory PAYGO intact, we will not pursue fiscally irresponsibly doing the easy thing. It's very easy for me to go into a town meeting and say, boy, I cut your taxes. Hooray, Hoyer. It's very difficult to go back in and say, hey, I bought you this and, by the way, we're going to pay for it.

But think of this, the constraint -- we don't have a Balanced Budget Amendment. I happen to be for a Balanced Budget Amendment. I had a long argument with my friend Bob Rubin about balanced budgets. He thinks that's a pretty clumsy instrument for a federal government that has to manage the economy and manage war and peace as well. I understand that. But the only extrinsic constraint on a country as wealthy as America, although we're getting to a point where the extrinsic constraint may be creditors willing to lend, but the only extrinsic constraint is the political constraint of my asking people to pay for what I'm prepared to vote to buy.

And if I take that constraint away -- and frankly, in my view it was taken away. When I came to Congress in '81, Bill Frenzel was already in Congress. Bill, when did you go to Congress?

REP. FRENZEL: '71.

REP. HOYER: So Bill had been there for a decade before I got there, but the -- we started incurring very substantial debts as we reduced revenues because we didn't

reduce commensurately spending. And during the Reagan and two Bush administrations, we incurred \$4.68 trillion of operating deficits. During the Clinton Administration, we had a \$62.9 billion net surplus. Stark difference in approach of paying for what you buy.

Now, part of Clinton's success was, honestly, is that we had a Republican Congress that did not want to spend and we had a Democratic President who did not want to cut revenues. The combination got us to a very good balance. But fiscal irresponsibility and regulatory neglect in this last decade led us to a fiscal debacle in the private sector and a fiscal \$1-1/2 trillion deficit up to 2008, and then exacerbated by TARP and the implosion of the economy.

Are we quitting?

MR. HASKINS: This will be the last question.

REP. HOYER: Okay, you pick.

MR. HASKINS: Alice Rivlin. That was easy.

REP. HOYER: Oh, my, my. An insider question.

MS. RIVLIN: Mr. Leader, you spoke early in your talk about the anger of the American public about deficits and debt. What do you think it will take to get the American public understanding what it will take to bring those deficits and debt down, that it does take shared sacrifice, as you've said? But that's not widely understood at the moment.

REP. HOYER: You know, I think Ross Perot made a wonderful contribution to the country in 1992. It wasn't until 1992 that people really started to focus on deficits, notwithstanding the fact we were incurring substantial deficits in the decade of the '80s. Ross Perot, in effect, you'll recall, with that great personality of his and spending his own money to go on those infomercials, said, look, we need to lift up the hood and find out what's wrong under the hood, and people got focused on it.

We then sort of got away from that focus. People weren't quite as angry

then as they are today. They're angrier today because, first of all, they think much of the debt was incurred to give to rich people, have caused them a lot of problems, and are taking a lot of very, you know, generous pay, benefits, buyouts, et cetera, et cetera. And so they're really ticked. And hopefully, that will animate them to focus on what the real problem is of where we are today and how we're going to get to where we need to be. Anger can be a constructive motivator or a negative impediment to thinking. Let's hope it's the former and not the latter. It will be the former, in my opinion, if we can in a bipartisan way come together.

And I mentioned Bill Frenzel's name a lot here. I have great respect for Bill Frenzel. I served with him. He was a member of the Ways and Means Committee and he had a real handle on what we ought to do and had the courage to stand up from time to time and say, look, this is not a Democratic or Republican problem, it's an American problem and this is how we have to solve it. We're going to have to have a lot of Bill Frenzels, a lot of Alice Rivlins, a lot of Barack Obamas, hopefully leaders in the Senate and in the House, Republicans as well as Democrats, stand up and say, look, none of us believe these are easy answers or politically popular answers. But they are answers which will get us to a better place for our children and grandchildren and a stronger country in the long run and a less dependent America on foreigners loaning us money when we have crisis or when we don't have crisis.

Thank you all very, very much for all you do.

(Applause)

MR. HASKINS: Leader Hoyer, thank you very much. I'd like to ask you to stay in your seats for about 30 seconds so Mr. Hoyer can get to the door. Thank you.

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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