



Fact Sheet

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Senate Democrats Are On Your Side Restoring Fiscal Responsibility

When it comes to fiscal responsibility, the contrast is clear: Democrats are committed to restoring the fiscal discipline that was abandoned under President Bush and a Republican-controlled Congress. We have enacted statutory PAYGO legislation to help prevent the adoption of legislation that would increase the deficit. President Obama has established a bipartisan commission to address our long-term deficit challenge. And we have produced more than \$1 trillion in savings through health reform.

To reduce the deficit, we also must strengthen our economy and create jobs. That is why it was so important to enact the *Recovery Act*, which has meant millions of additional jobs. And it is why we have continued to work on a variety of measures designed to promote job creation. Senate Democrats passed the fully-paid-for *Hire Act* (**H.R. 2847**) and the *Travel Promotion Act* (**H.R. 1299**). We have now brought forward a fully-offset small business jobs legislation and a clean energy jobs package. These bills would create hundreds of thousands of new jobs and inject millions of dollars into the economy.

While Senate Democrats continue to fight for legislation that will help to create jobs and reduce the deficit, Republicans are calling for a return to the same Bush-era policies that almost bankrupted America. Unpaid for tax breaks for multi-millionaires and special interests, a budget-busting new entitlement program, and full-scale wars in two countries left the nation reeling from the weight of debt. These policies meant that record budget surpluses turned into record deficits, runaway spending, doubling of the national debt, and record debt owed to foreigners.

Republicans' Deficit Hypocrisy: Multi-Millionaires and Special Interests Always Come First.

Senate Republicans are pursuing an agenda that would reprise Bush-era policies favoring multi-millionaires and special interests at the expense of the hard-working ordinary American. While Republicans now proclaim concern about fiscal responsibility, their record proves otherwise: they resist initiatives that benefit ordinary Americans and have no genuine interest in deficit reduction or job creation. Most recently, Senate Republicans spent months delaying the consideration of unemployment insurance that would help those hit hardest by the recession, citing concern over the deficit. Nearly in the same breath, they called for an extension of the Bush tax cuts for the richest Americans, despite a staggering \$678 billion cost to the deficit (more than 20 times as much as the jobless aid they had opposed). And all with the expectation that working-and middle-class Americans will not

remember that it was this same approach to governance that led the economy to a melt down by the time President Obama was sworn in to office in January 2009.

Eight years of the Bush Republican turned record budget surpluses into record deficits. President Clinton ran a unified budget surplus of \$236 billion, the largest in American history. Budget surpluses were expected to continue for another ten years when President Bush took office in January 2001. [OMB, [2/28/01](#)] But under the Republican's watch, the federal budget plunged back into deficit, reaching record levels. [OMB, [2/4/08](#)] By 2002, the unified federal budget had returned to a deficit of \$160 billion and last year, President Obama inherited a record deficit of \$1.3 trillion. [OMB, [2/1/10](#)]

What happened? Republican policies that favored the rich, special interests, and pet projects drove the deficit and debt up:

- **Spending exploded.** According to the non-partisan Congressional Budget Office (CBO) between 2001 and 2009, spending (outlays) increased 89 percent (from \$1.9 trillion to \$3.5 trillion). [CBO, [1/10](#)]
- **National debt doubled.** The day before George W. Bush assumed the presidency in 2001, the public debt was \$5.7 trillion. On the last day of President Bush's presidency in 2009, the debt stood at \$10.6 trillion, approximately \$35,000 for every man, woman, and child in America. [TreasuryDirect, visited [7/26/10](#)]
- **Debt owed to foreigners at record levels.** President Bush more than tripled foreign-held debt under his watch to finance his record budget deficits, with total foreign-held debt standing at over \$3 trillion as he left office. [Department of the Treasury, visited [7/26/10](#)]

Republican Record of Fiscal Irresponsibility:

- **Unpaid for tax breaks for multi-millionaires.** The Bush Administration's 2001 and 2003 tax cuts added approximately \$1.7 trillion to deficits between 2001 and 2008. Republicans have called for these tax breaks to be made permanent, which would cost over \$4 trillion. [CBPP, [3/5/09](#)]
- **Unpaid for prescription drug plan.** The Bush Administration's 2003 enactment of the *Medicare Prescription Drug, Improvement and Modernization Act* will end up adding \$385 billion to the deficit. [CBPP, [7/28/10](#)]
- **Deficit spending on wars in Iraq and Afghanistan.** President Bush's decision to enter into simultaneous wars in both Iraq and Afghanistan has already cost the American people over \$1 trillion since 2001. [Reuters, [1/14/10](#)]
- **Extreme, ideology-driven economic and fiscal policies that led to the worst recession since the Great Depression.** The financial and housing crises that shook the national and global economies was facilitated by an abdication of regulatory oversight in the name of *laissez-faire* economic policy and the greed of big business CEOs and lobbyists. And the result, a shrinking economy and skyrocketing unemployment led to lower revenues and greater spending for a variety of automatic

economic stabilizers (like unemployment insurance, food stamps, and other safety-net programs,) and a deficit of over \$1 trillion. [CBPP, [6/28/10](#)]

The governmental response to this Republican-authored crisis, while increasing the short-term deficit, averted a second Great Depression, which would have been even more costly. A new study by prominent economists, concluded that, without these investments (including the landmark *American Recovery and Reinvestment Act (P.L. 111-5)*, there would be 8.5 million fewer jobs in addition to the over 8 million already lost, the nation's gross domestic product would be about 6.5 percent lower in 2010, and our economy would be suffering the harmful effects of deflation. [*New York Times*, [7/28/10](#)]

Democrats Are On Your Side: Reversing the Fiscally-Irresponsible Policies of the Bush Administration

Senate Democrats know that the best way to reduce the deficit is to put Americans back to work. That's why we are making the tough choices to ensure that we strengthen our economy and create jobs by investing the taxpayer's money as responsibly, efficiently, and transparently as possible. And we are doing all this in a fiscally-responsible way, as demonstrated by the reinstatement of a strong pay-as-you-go law; support for the creation of a bipartisan deficit commission; health insurance reform that actually cuts the deficit; and major reforms in congressionally-directed spending that have been in place since the Democrats re-gained the majority in 2007.

Democrats have reinstated a strict statutory pay-as-you-go rule. This year, the Democratic-led Congress reinstated a statutory pay-as-you-go rule (PAYGO), so that we can govern in a fiscally-responsible way. The PAYGO law requires Congress to find offsetting savings for new direct spending or tax cuts, applying the same discipline to the federal budget that American families use every day in their own lives: in order to spend a dollar, we have to have a dollar in our wallet. In part because of PAYGO, the Clinton Administration turned deficits into record surpluses. Unfortunately, under President Bush and the Republican-controlled Congress, PAYGO was first waived and then allowed to expire, leading to massive tax breaks and other policies that exploded the deficit and doubled the debt.

The reinstatement of statutory PAYGO is the type of sensible, responsible leadership that Senate Democrats are bringing to the federal budget process after eight years of reckless spending that helped create the mess we are in today. It is regrettable, if not surprising, that Senate Republicans opposed this step to rein in irresponsible deficit spending.

Democrats are committed to improving our long-term fiscal outlook. Earlier this year, Senate Budget Committee Chairman **Conrad** and Ranking Republican Gregg had proposed the creation of a bipartisan fiscal taskforce on the Senate Floor. While the commission won the support of 53 Senators – a majority of votes – this was insufficient to bring us to the 60 vote threshold that was required for adoption of this measure. In an act that demonstrated that Republicans were putting politics ahead of deficit reduction, seven Senate Republicans voted against the very proposal to which they had earlier signed their name as sponsors.

Subsequently, President Obama established, by Executive Order, the National Commission on Fiscal Responsibility and Reform, charged with identifying policies to improve the fiscal situation in the medium-term and achieve fiscal sustainability over the long run. Senators

Conrad, Baucus, and Durbin serve as members of the Commission. By December 1st, the Commission will vote on a report containing recommendations to balance the budget, excluding interest payments on the debt, by 2015 and to meaningfully improve the long-run fiscal outlook.

If 14 of the 18 members of the Commission agree on final recommendations, Majority Leader **Reid** has committed to bringing the Commission's report to a vote before the end of the 111th Congress.

Health Insurance Reform Is Entitlement and Fiscal Reform. Skyrocketing health care costs are contributing to the current budget crisis, weighing heavily on families, businesses and government budgets. Health care costs take up a growing share of federal and state budgets and are the greatest threat to the government's long-term fiscal outlook. In 2009, the United States spent an estimated \$2.5 trillion on health care, consuming 17.3 percent of the GDP and representing the largest one-year increase in the health share of GDP since the measure was first tracked in 1960, according to experts from the Centers for Medicare & Medicaid Services (CMS). [Health Affairs, [2/4/10](#)] Without action, total health care spending will consume more than 19 percent of GDP by 2019, just nine years from now. Federal spending on Medicare and Medicaid now consumes approximately 5.5 percent of GDP, and the Congressional Budget Office estimates such spending will consume 6.6 percent of GDP by 2020 and ten percent of GDP by 2035. [CBO, [1/10](#)]

By contrast, if we could reduce per capita health care costs in the US to the levels in most other industrialized countries, the federal budget over the long-term would be in surplus. [[Center for Economic and Policy Research](#)]

The new health insurance reform law, the *Affordable Care Act* (**P.L. 111-148** and **P.L. 111-152**), is an important step toward reducing health care costs that will help to ensure future sustainability of the system and reduce federal deficits by \$143 billion over the first ten years, and by more than \$1 trillion in the second decade. [CBO, [3/20/10](#)] In addition, the *Affordable Care Act* extends the solvency of the Medicare Trust Fund by 12 years. [Centers for Medicare & Medicaid Services, [4/22/10](#)]

Twenty-three prominent economists – including Nobel laureates and members of both Democratic and Republican administrations – identified four key measures that will lower costs and reduce long-term deficits. [Letter to the President, [11/17/09](#)] The *Affordable Care Act* includes all four measures: deficit neutrality, an excise tax on high-cost plans beginning in 2018, an Independent Payment Advisory Board, and delivery system reforms.

A Business Roundtable report confirms that many delivery system reform policies in the *Affordable Care Act* will help reduce costs. As the report explains, “[a] number of the proposed reforms offer real promise, not only to save federal dollars, but also to reduce the rate of increase in private sector spending if adopted and implemented appropriately.” [Business Roundtable, [11/2009](#)]

Democrats have created accountability in and reduced the number of congressionally-directed spending items. Democrats have implemented new reforms to the appropriations process to ensure unprecedented transparency and accountability for congressionally-directed spending items. These rules allow more opportunity for public scrutiny of member requests, including the publication of lists identifying each congressionally-directed spending item requested with the name of the sponsoring member and a certification that neither the Senator nor the Senator's immediate family has a financial interest in the item requested. All of this information is available on the Appropriations Committee website.

In addition, the Senate adopted a rule allowing a point of order to be raised to strike congressionally-directed spending items inserted into conference committees that were not in the original House or Senate versions of the legislation.

Meanwhile, Democrats have significantly reduced congressionally-directed spending items. In 2009, the total dollar amount directed by Congress for non-project-based accounts in appropriations bills was reduced by 50 percent from their Fiscal Year 2006 levels.

Congressionally-directed spending items will be held below one percent of discretionary spending from now on. This ensures that Members of Congress will continue to be able to direct a limited amount of funding to important local priorities.