

STATEMENT BY SENATOR PAUL TSONGAS
APRIL 25, 1979

THE BUDGET: BORROWING FROM THE FUTURE

THE BUDGET RESOLUTION HAS BEEN BILLED AS REFLECTING A NEW REALISM. IT IS SUPPOSED TO MEAN A GROWN-UP WILLINGNESS TO PAY FOR OBLIGATIONS AS WE ASSUME THEM. ACTUALLY, AS I INTEND TO EXPLAIN, IT IS A BLUEPRINT FOR EXCESSIVE BORROWING FROM OUR FUTURE AND OUR CHILDREN'S FUTURE.

WE ALL KNOW THAT BALANCING THE BUDGET IS THE CURRENT CURE-ALL FOR DEFEATING INFLATION. (I THINK THE DICTATORS OF OPEC MUST BE HAVING LOTS OF LAUGHS ABOUT THAT). BUT EVEN IF IT WERE THE SIMPLE SOLUTION TO INFLATION -- AND IT IS NOT -- SIGNIFICANT REDUCTIONS IN CURRENT PROGRAMS MUST ALWAYS BE WEIGHED AGAINST PRESSING HUMAN NEEDS.

THE BUDGET IS A HUMAN DOCUMENT THAT STATES OUR PRIORITIES -- HOW WE SEE OURSELVES AS A NATION. IT ALSO SHOWS OUR VISION OF THE FUTURE. THE PROPOSED BUDGET IS BLIND TO SOME VITAL NATIONAL NEEDS -- PRESENT AND FUTURE. AND IN ITS ASSUMPTIONS, IT IS SEEING THINGS THAT AREN'T THERE.

THE MOST OBVIOUS EXAMPLE OF AN ILLUSORY "VISION" IS THE EXAGGERATED ANTI-INFLATIONARY PROMISE OF BUDGET-BALANCING. THIS POPULAR SONG-AND-DANCE TIPTOES CLOSE TO CONSUMER FRAUD. THE CONGRESSIONAL BUDGET OFFICE ESTIMATES THAT A \$15 BILLION SPENDING CUT BELOW CURRENT POLICY WOULD HAVE A MINIMAL IMPACT ON INFLATION. A 0.2% DROP IN THE CONSUMER PRICE INDEX COULD BE EXPECTED IN 1982. THE SAME CUT WOULD ELIMINATE NEARLY HALF A MILLION JOBS OVER A TWO-YEAR PERIOD. BUDGET "ECONOMIES" HAVE A HARD, HUMAN COST.

SIMULATIONS BY CBO SUGGEST THAT FIVE YEARS OF 7% JOBLESSNESS WOULD BE NEEDED TO BRING INFLATION DOWN AROUND 4%. AND THAT ASSUMES THE ABSENCE OF OUTSIDE SHOCKS LIKE INTERRUPTED OIL FROM THE MIDEAST. A 1% RISE IN UNEMPLOYMENT WOULD ADD NEARLY \$20 BILLION TO THE FEDERAL DEFICIT. EVERY WAY WE TURN, THERE ARE COSTS TO BE WEIGHED.

I SUPPORT CAREFUL BUDGETING BY THE CONGRESS. BUT IT MUST BE DONE WITHOUT MIRRORS, WITH NO ILLUSIONS. MY COLLEAGUES WILL BE PLEASED TO KNOW THAT I AM EAGER TO JOIN IN CONSISTENT EFFORTS TO CUT WASTE FROM THE BUDGET. FOR EXAMPLE, WHEN AN AGREEMENT TO LIMIT STRATEGIC ARMS COMES BEFORE THE SENATE, IT WILL HAVE TO BE WEIGHED AGAINST THE BUDGET-BUSTING ALTERNATIVE.

THE NON-PRODUCTIVE PROCESS OF A RENEWED ARMS RACE WOULD MORE THAN COUNTERACT THE ECONOMIC EFFECT OF SPENDING CUTS IN HUMAN SERVICES.

THE REALITY I SEE IS A BIT DIFFERENT FROM THAT OF THE BORN-AGAIN BUDGET BALANCERS. SO BEFORE THE BUDGET COMMITTEE FIGURES ARE ANNOINTED BY THE SENATE, I WANT TO GIVE A DIFFERENT VIEW OF OUR OBLIGATIONS AS A NATION. LET ME TALK ABOUT SO-CALLED "RUNAWAY" SPENDING AND DEFICITS IN WASHINGTON. THEN I WILL DISCUSS "ECONOMIES" IN FEDERAL FUNDING FOR ENERGY AND HOUSING.

FEDERAL DEBT AND WORKFORCE HAVE SHRUNK IN RELATIVE TERMS

POPULAR WISDOM HAS THE FEDERAL DEFICIT CHARGING OUT OF CONTROL. BUT A GALLOP POLL IN 1977 SHOWED GREAT MISINFORMATION ON THE SUBJECT. ONLY 1 PERSON IN 25 COULD STATE THE MOST RECENT FEDERAL BUDGET DEFICIT WITHIN \$10 BILLION. IN RECENT YEARS THE DEFICIT HAS DROPPED IN PROPORTION TO THE GROSS NATIONAL PRODUCT:

- IN 1976, THE DEFICIT WAS JUST OVER 3% OF THE GNP.
- IN 1977, IT FELL TO 2.6%.
- IN 1978, 1.6%.
- IN 1979, 1.4%
- AND IN FY80, THIS FIGURE WILL BE JUST OVER 1%.

THAT PUTS THE BUGABOO-FOR-ALL-SEASONS -- THE BUDGET DEFICIT -- IN THE RIGHT LIGHT.

ALSO CONTRARY TO POPULAR MISUNDERSTANDING, THE GROSS FEDERAL DEBT AS A PERCENTAGE OF GROSS NATIONAL PRODUCT HAS DECLINED STEADILY OVER THE PAST 30 YEARS. FOR EXAMPLE:

- IN 1946 THE NATIONAL DEBT WAS 128% OF GNP. FEW AMERICANS COMPLAINED ABOUT DEFICIT SPENDING DURING WORLD WAR II, WHEN THE DEBT MORE THAN QUADRUPLLED. IT SOARED FROM \$57 BILLION IN 1941 TO \$260 BILLION IN 1945.
- IN 1956 THE DEBT WAS HALF OF THAT IN RELATIVE TERMS -- JUST OF 64% OF GNP.
- TEN YEARS LATER, IN 1966, IT HAD DROPPED BY ANOTHER THIRD. IT WAS 42.5% OF GNP.
- IN THE MOST RECENT FISCAL YEAR, IT WAS ABOUT 37% OF GROSS NATIONAL PRODUCT. THUS THE FEDERAL DEBT AS A BURDEN ON OUR NATION'S PRODUCTIVE STRENGTH IS LESS THAN ONE-THIRD OF WHAT IT WAS WAS 33 YEARS AGO.

IN WARTIME, WE DO NOT DEBATE THE NEED TO INVEST IN FUTURE SURVIVAL. BUT THE SURVIVAL STANDARD APPLIES TO GOVERNMENT SERVICES, WHICH CAN BE VITAL IN AN INDIVIDUAL'S STRUGGLE TO SURVIVE. THIS STANDARD RELATES AS WELL TO THE ENERGY CRISIS, WHICH THREATENS US ALL.

ANOTHER WAY TO PUT THE FEDERAL BUDGET INTO PERSPECTIVE IS TO LOOK AT FEDERAL SPENDING AS A PROPORTION OF GNP. THE PERCENTAGE HAS DECLINED IN RECENT YEARS. IN 1976, IT WAS 22.7%. IN 1978, 22.1%. FOR FISCAL YEAR 1980, THE BUDGET IS ESTIMATED TO BE ABOUT 21% OF THE GROSS NATIONAL PRODUCT.

AGAIN, A COMPARISON IS HELPFUL -- AND SURPRISING TO ANYONE WHO HAS HEARD ALL THE RHETORIC ABOUT BIG SPENDING. THE BUDGET FOR FISCAL YEAR 1980 IS ESTIMATED TO BE 21% OF GNP. BACK IN 1952, THE PERCENTAGE WAS ~~VIRTUALLY~~ THE SAME -- 21%. CURRENT PROJECTIONS HAVE THE PROPORTION OF BUDGET TO GNP RESTING AT EISENHOWER ^{ERA -} LEVELS IN THE FUTURE. BUT COMPARED WITH THAT EARLIER ^{TIME} ~~ERA~~ OF "SIMPLE SOLUTIONS," THE PROBLEMS WE NOW PERCEIVE ARE MORE OVERWHELMING.

AS FOR THE BIG BAD BUREAUCRACY, IN RELATIVE TERMS, IT TOO IS RECEDING. IN 1946 THERE WAS A FEDERAL WORKER FOR EVERY 62 AMERICANS. IN 1977 THERE WERE 80 AMERICANS PER FEDERAL WORKER. BY COMPARISON, THERE IS A STATE OR LOCAL EMPLOYEE FOR EVERY 17 CITIZENS. EVEN AFTER COMPENSATING FOR INCREASED POPULATION, THE DENSITY OF GOVERNMENT WORKERS AT NON-FEDERAL LEVELS HAS MORE THAN DOUBLED IN THE LAST TWO DECADES.

I WANT TO CONSIDER ECONOMIES IN TWO DIFFERENT AREAS -- HOUSING AND ENERGY -- NOW THAT SOME OF THE RHETORIC HAS BEEN TAILORED TO THE TRUTH. THE BUDGET COMMITTEE CUT THE PRESIDENT'S ENERGY REQUEST BY \$1.5 BILLION; IT CUT THE ADMINISTRATION'S BUDGET FOR ASSISTED HOUSING BY OVER \$4 BILLION. THESE ECONOMIES ARE FALSE, SELF-DECEPTIVE AND FOOLISH. FAR FROM A "NEW REALISM," THEY REPRESENT AN UNREALISTIC NOTION OF NATIONAL PROBLEMS AND HOW TO SOLVE THEM.

[HOUSING BUDGET CUTS TAKE THOUSANDS OF UNITS FOR THE POOR]

THE SENATE BUDGET COMMITTEE HAS RECOMMENDED LONG-TERM BUDGET AUTHORITY OF \$23.6 BILLION TO SUPPORT FEWER THAN 250,000 UNITS OF ASSISTED HOUSING IN FISCAL YEAR 1980. THE RECOMMENDATION IS \$4.1 BILLION LESS THAN WHAT IS IN THE PRESIDENT'S BARE-BONES BUDGET. IT IS \$12 BILLION LESS THAN WHAT WE NEED TO MAINTAIN OUR CURRENT, INADEQUATE LEVEL OF HOUSING PRODUCTION.

TENS OF THOUSANDS OF LOW INCOME AMERICANS -- MANY OF THEM ELDERLY -- DO NOT HAVE SAFE, DECENT, SANITARY HOUSING. THE BUDGET COMMITTEE HAS PROPOSED A TRAGIC, FALSE ECONOMY TO THOSE WHO COUNT ON THE FEDERAL GOVERNMENT TO ASSIST THEM TOWARD ADEQUATE HOUSING. IN MASSACHUSETTS, THE RECOMMENDED REDUCTION OF THE PRESIDENT'S REQUEST WILL COST US 2100 BADLY NEEDED UNITS. YET IN BOSTON ALONE WE HAVE AT LEAST 6,000 FAMILIES AND INDIVIDUALS WHO HAVE AN IMMEDIATE NEED FOR ADEQUATE HOUSING.

BENEATH THE BUDGET COMMITTEE'S REDUCTIONS, THERE LIE EVEN MORE ALARMING ASSUMPTIONS. THE COMMITTEE REPORT STATES:

"THE COMMITTEE RECOMMENDATION ASSUMES A REDUCTION FROM THE CURRENT LAW LEVEL OF FUNDING FOR SUBSIDIZED HOUSING TO ALLOW ANNUAL COMMITMENTS ON 250,000 ADDITIONAL UNITS PER YEAR BEGINNING IN FY 1980, WITH 50%

ALLOCATED TO EXISTING HOUSING. THE COMMITTEE ALSO ASSUMES THAT THE MAXIMUM RENT IN ASSISTED HOUSING WILL BE INCREASED FROM 25 TO 30% OF A TENANT'S INCOME."

THUS, THE COMMITTEE MAKES TWO ASSUMPTIONS THAT ASSUME TOO MUCH: FIRST, THAT THE CURRENT PROPORTION OF NEW HOUSING TO EXISTING HOUSING -- WHICH IS 66/34 -- WILL BE REDUCED TO 50/50; SECOND, THAT TENANTS WILL BE REQUIRED TO PAY 30% OF THEIR INCOME FOR RENT.

IN EACH CASE, THE BUDGET COMMITTEE HAS EXCEEDED ITS MANDATE TO SET CEILINGS AND TARGETS ON NATIONAL SPENDING, AND HAS WANDERED INTO THE LEGISLATIVE DETAILS OF HOUSING POLICY. BOTH ASSUMPTIONS ARE FLAWED. BOTH CONFLICT WITH WHAT THIS CONGRESS AND THE EXECUTIVE BRANCH MUST DO IN ORDER TO HOUSE OUR POOR.

THE FIRST ASSUMPTION -- ALTERING THE MIX OF OLD AND NEW HOUSING -- IMPROPERLY TAKES AWAY LOCAL DECISION-MAKING AUTHORITY GRANTED IN 1974. CONGRESS CHARGED LOCAL GOVERNMENTS WITH RESPONSIBILITY TO DETERMINE THE TYPE OF HOUSING NEEDED TO HOUSE LOW-INCOME RESIDENTS ADEQUATELY. IT WAS NOT A SUGGESTION, BUT A STATUTORY COMMAND. NO "ASSUMPTION" ON THE PART OF THE SENATE BUDGET COMMITTEE CAN RESCIND IT.

THE AGGREGATE HOUSING ASSISTANCE PLANS FOR THE NATION INDICATE A CURRENT NEED FOR ABOUT 66% OF THE SUBSIDY ASSISTANCE TO GO TOWARD NEW HOUSING AND SUBSTANTIALLY REHABILITATED HOUSING. ABOUT 34% OF

THE SUBSIDY IS NEEDED FOR EXISTING HOUSING. THE BUDGET COMMITTEE WOULD SCRAP THAT LOCAL DETERMINATION OF NEED, AND ARTIFICIALLY IMPOSE A 50/50 PROPORTION.

CUTTING THE AMOUNT OF NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION IGNORES OUR OBLIGATION TO EXPAND OUR BADLY DETERIORATING HOUSING STOCK.

IN MASSACHUSETTS, 60% OF OUR UNITS ARE OVER 40 YEARS OLD. THE PROPOSED CUT IN THE MIXTURE WOULD SENTENCE SOME MEMBERS OF FUTURE GENERATIONS TO HOMELESSNESS.

I STRONGLY SUGGEST THAT THE SENATE BANKING COMMITTEE -- NOT THE BUDGET COMMITTEE -- IS THE ONLY PROPER FORUM IN WHICH TO TAKE UP THIS ISSUE. IF WE ARE TO MAKE SUCH A DRASTIC CHANGE IN NATIONAL HOUSING POLICY, IT SHOULD BE DONE ONLY ON THE BASIS OF CLOSE STUDY AND CAREFUL REVIEW OF THE NEGATIVE IMPLICATIONS. IT SHOULD BE NOT BE DONE IN A BUDGET COMMITTEE MARK-UP WITH NO INPUT FROM HOUSING EXPERTS.

NOT ONLY IS THE PROPOSED CHANGE IN PRODUCTION MIX IN DIRECT CONFLICT WITH STATUTORY LOCAL ASSESSMENTS OF HOUSING NEEDS, IT ALSO WILL SERIOUSLY DAMAGE THE HOUSING CONSTRUCTION INDUSTRY, AND COST THOUSANDS OF JOBS. THE FEDERAL HOUSING AGENCIES ARE A MAJOR SOURCE OF SUPPORT FOR THIS INDUSTRY. THEY NOW ACCOUNT FOR 47% OF ALL MULTI-FAMILY LOW INCOME HOUSING IN THE NATION. THE COMMITTEE'S ARBITRARY

ALTERING OF THE PRODUCTION MIX WILL SERIOUSLY THREATEN HOUSING INDUSTRY STABILITY.

THE SECOND AND MORE DANGEROUS ASSUMPTION THAT THE BUDGET COMMITTEE HAS MADE CALLS FOR AN INCREASE IN RENT IN ASSISTED HOUSING FROM 25% TO 30% OF THE TENANT'S INCOME. THAT'S A REAL RENT INCREASE OF 20%, AT A TIME WHEN THE PRESIDENT IS CALLING FOR A 5.5% LIMIT ON PRICE INCREASES AND A 7% LIMIT ON WAGE INCREASES. IT IS CLEAR THAT THIS KIND OF RENT INCREASE WILL BE A DISASTER FOR THOUSANDS OF TENANTS THROUGHOUT THIS COUNTRY. IT WILL MEAN THAT MANY FAMILIES WILL PAY RENT AT THE EXPENSE OF FEEDING AND CLOTHING THEIR CHILDREN.

IF THE SENATE ACCEDES TO THE BUDGET COMMITTEE ASSUMPTIONS, WE WILL BE ACCEPTING UNJUST RENT INCREASES FOR THE POOR. WE WILL EFFECTIVELY HALT EFFORTS TO EXPAND HOUSING STOCK TO REPLACE OUR BADLY DETERIORATING SUPPLIES. EVEN IF WE REJECT THE BUDGET COMMITTEE'S ASSUMPTIONS AND CONTINUE TO LET LOCAL GOVERNMENTS DECIDE HOUSING PRODUCTION NEEDS, WE CAN SUPPORT ONLY ABOUT 223,000 UNITS OF HOUSING AT THE PRESENT PRODUCTION MIX. THIS IS FAR BELOW THE 250,000 UNITS OF HOUSING WHICH THE BUDGET COMMITTEE ANTICIPATED IN MAKING ITS RECOMMENDATION.

BY EXCEEDING ITS ROLE, AND TREADING INTO AREAS OF HOUSING POLICY WHICH ARE CLEARLY NOT IN ITS DOMAIN,

THE BUDGET COMMITTEE HAS -- HOWEVER INADVERTENTLY -- LEFT US WITH AN INSUPPORTABLE RECOMMENDATION. I HOPE WE CAN LEARN FROM THIS HARD CASE THAT OUR NATIONAL HOUSING POLICY SHOULD BE DEBATED OPENLY AND THOROUGHLY IN THE PROPER MANNER AND PLACE.

[ENERGY BUDGET SAVINGS NOW TO BE PAID LATER]

THE DEGREE OF FUNDING INADEQUACY WOULD INDICATE THAT THIS YEAR THE SENATE HAS LOST THE HEART FOR HOUSING. WITH REGARD TO THE BUDGET'S ENERGY ECONOMIES, HISTORIANS -- AND OUR OWN CHILDREN -- MAY SOMEDAY LOOK BACK AND CONCLUDE THAT WE LOST OUR HEAD. THE BUDGET COMMITTEE'S MOTTO MIGHT WELL BE: SAVE NOW -- PAY LATER.

SKIMPING ON THE ENERGY BUDGET IS THE MOST FLAGRANT FALSE ECONOMY IMAGINABLE. YET THAT IS WHAT THE BUDGET RESOLUTION PROVIDES. FEDERAL FUNDS FOR ENERGY RESEARCH AND DEVELOPMENT WOULD ACTUALLY DECLINE IN CONSTANT DOLLARS DURING THE NEXT FIVE YEARS.

I HAVE WAITED TO HEAR MANY OF THE VOICES THAT ARE USUALLY RAISED MOST LOUDLY FOR DEFENSE DOLLARS. I AM STILL WAITING AND IT IS GETTING LATE. WE MUST REACT TO THE STRATEGIC DANGER RAISED BY THE LATEST DOUBLE WHAMMY ON ENERGY -- THE SHAH'S EXTENDED VACATION, AND THREE-MILE ISLAND.

THE SITUATION WE FACE IS AS GRAVE AS A THREAT OF WAR. IF THE BUDGET-BALANCING PANACEA HAD BEEN AROUND 40 YEARS AGO, WE WOULD PROBABLY ALL BE DRIVING VOLKSWAGONS AND TOYOTAS. WE MUST BE WILLING TO INVEST IN OUR FUTURE SURVIVAL. WE DID SO DURING WORLD WAR II. NOW WE NEED THE EQUIVALENT OF A MANHATTEN PROJECT OR AN APOLLO PROGRAM TO GUARANTEE A SECURE, SAFE ENERGY FUTURE FOR OUR CHILDREN.

THE FUTURE MEANS SAFE FORMS OF RENEWABLE ENERGY. IN THE NEAR FUTURE, IT INCLUDES SOLAR HEATING AND COOLING, BIOMASS, SMALL-SCALE HYDROELECTRICITY AND COGENERATION. FOR THE LONGER RUN, WE NEED AGGRESSIVE RESEARCH AND DEVELOPMENT OF PHOTOVOLTAICS, WIND, AND SECOND GENERATION COAL TECHNOLOGIES. BUT OUR DELIBERATIONS TODAY ARE MUDDLED BY LONG DELAY IN RELEASE OF THE DOMESTIC POLICY REVIEW ON SOLAR ENERGY. FOR IT TO HAVE BEEN WORTH WAITING FOR, IT MUST INCLUDE A MAXIMUM COMMITMENT TO SOLAR DEVELOPMENT AND COMMERCIALIZATION WITHIN THIS CENTURY. IF AND WHEN THAT COMMITMENT COMES FROM THE PRESIDENT, WE CANNOT AFFORD TO BE BOXED IN BY THE BUDGET COMMITTEE'S FALSE ECONOMIES ON ALTERNATIVE ENERGY DEVELOPMENT.

THROUGHOUT THIS YEAR AND IN THE EIGHTIES, WE WILL CONTINUE TO DEBATE HARD CHOICES. IN THE ENERGY BUDGET IN PARTICULAR, WE MUST PAINFULLY RE-EXAMINE EVERY POSSIBLE ALTERNATIVE. WE MUST MOTHBALL THE TENDENCY TO ASSUME THAT THINGS WILL BREAK OUR WAY, AND TO DEPEND ON IT. WE MUST BE CERTAIN THAT WHAT PASSES FOR "PAY AS YOU GO" IS NOT A BAD CASE OF "PASS THE BUCK TO OUR CHILDREN." UNFAIR ASSUMPTIONS AND SLOGANEERING ONLY MAKE A HARD JOB HARDER.

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