

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 AND CONSISTENTLY 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. *(insert)*
- IN 1956 THE DEBT WAS HALF THAT IN RELATIVE TERMS -- JUST OVER 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 33 YEARS AGO. *insert*

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.