

1 EXECUTIVE COMMITTEE MEETING

2 THURSDAY, OCTOBER 8, 1987

3 U.S. Senate

4 Committee on Finance

5 Washington, D.C.

6 The meeting was convened, pursuant to recess, at 10:14
7 a.m. in Room SD-215, Dirksen Senate Office Building, the
8 Honorable Lloyd Bentsen (chairman) presiding.

9 Present: Senators Bentsen, Matsunaga, Moynihan, Baucus,
10 Bradley, Pryor, Rockefeller, Daschle, Packwood, Danforth,
11 Chafee, Heinz, Wallop, and Durenberger.

12 Also present: Don Chapoton, Assistant Secretary for Tax
13 Policy, and Dennis Ross, Tax Legislative Counsel, Department
14 of the Treasury.

15 Also present: Bill Wilkins, Chief of Staff and Chief
16 Counsel; Mary McAuliffe, Minority Chief of Staff; John Colvin,
17 Minority Chief Counsel; David Brockway, Chief of Staff, Ways
18 and Means; Marina Weiss, Chief Analyst for Health and Human
19 Resources; Jim Gould, Chief Tax Counsel; Ed Mihalski, Deputy
20 Chief of Staff and Health Professional Staff Member;
21 Frank Cantrel, Minority Tax Counsel; and Joe Humphreys,
22 Professional Staff Member/Social Welfare.

1 The Chairman. You will please cease conversation and
2 takes seats, and we will get under way.

3 Less than two weeks ago the President of the United
4 States signed some legislation that put very serious and
5 strict limitations on spending, put that into law. Now, that
6 was a tough decision for him, and it was a tough decision for
7 the Congress and for the countries that crafted it. But it
8 went a long way to assure the financial markets of this
9 country and the international markets that the President and
10 the Congress were serious about trying to cut this budget
11 deficit.

12 I want to congratulate my friend Senator Packwood and
13 the other Conferees that did, I think, a very important and
14 responsible act and made major contributions to trying to
15 restore some economic stability.

16 That law shows that we intend to fulfill our
17 responsibility to manage future budgets better than in the
18 past.

19 I was interested to see that the President cited that
20 law at the Forty-second Annual Meeting of the World Bank and
21 the IMF, in urging the Japanese and the Germans to accelerate
22 their economies. One of their criticisms has been, all
23 along, "How can you talk to us about accelerating our
24 economies when you don't responsibly attack the budget
25 deficit in your own country?"

Moffitt Reporting Associates

(301) 350-2223

1 I noticed that Wall Street and the financial markets
2 abroad breathed a sigh of relief. Interest rates dropped
3 slightly, markets stabilized; but now those markets are
4 growing nervous again. They are fearing a Washington
5 back-track.

6 Yesterday I saw the prime rate go to nine and a quarter.
7 I'm sure not yet what that portends. But if we don't
8 responsibly cut this deficit, then I do know what it means;
9 it means that we are going to be in a situation where we
10 exercise a very tight monetary policy and a very loose fiscal
11 policy, and we have had too much of that in the past. So
12 let's clear that up right now.

13 The deficit will be cut, and it will be cut materially
14 this year. That train has left the station; it cannot be
15 turned around. The sequestration provisions have been
16 written into the law. I don't like how those provisions
17 work, and I doubt if anyone in this room does; but I like
18 deficits even less. They push up interest rates, they
19 cheat us of savings, they slow investments, they rob
20 productivity, and they threaten inflation. They have helped
21 play a role in having the United States pile up the worst
22 trade deficit of any nation in history, and they have left
23 our Federal Reserve a virtual captive of skittish foreign
24 exchange markets. Our deficits have to shrink.

25 I see from a poll that was released over the weekend

1 that an overwhelming majority of Americans think the deficits
2 are partially responsible for the eroding of United States
3 industrial strength.

4 Now, the hard work begins. It's a tough choice. We have
5 to judge the priorities, exercise our judgment, and make those
6 choices. And frankly, I think that is our responsibility;
7 or else, we will just hang on while the train flies on down
8 the track, and put it on automatic pilot, and wait for the
9 crash.

10 I hope we can tackle the deficit with the same bipartisan
11 and cooperative spirit that has been typical of this Finance
12 Committee for years.

13 I recognize the committee process is not going to be
14 easy, and all of us can think of attractive ways to cut taxes
15 and to spend money on new programs; but raising revenues and
16 cutting spending can be very different and difficult, and
17 that calls for a different discipline.

18 I recognize the President is not making this easy for us,
19 on either side of the aisle. The President says he won't
20 accept any tax proposals other than those in his budget. But
21 the alternative is to accept blind cuts in domestic programs
22 and in defense. I don't think that is satisfactory for this
23 committee. This committee is in the position to exercise
24 some leadership, at a time when that leadership is sorely
25 needed. When you later examine some of the revenue options

1 that are available, you may decide that it really isn't that
2 objectionable.

3 If you take a look at the President's budget, what he
4 sent us, which was voted down, voted down by Democrats and
5 Republicans alike, it increased Social Security Taxes, coal
6 taxes, railroad taxes, Medicare taxes, and called for a
7 substantial increase in income tax collections through greater
8 IRS funding.

9 Now, is the Finance Committee to believe that those are
10 the only revenue options that make sense? I hope that each
11 member of this committee will be willing to take a hard look
12 for himself at all of those options for cutting this deficit.

13 This meeting today has several goals. First, I want to
14 hear from the members their views on the deficit, the task
15 that is ahead of us.

16 I have not come to you with any Chairman's mark or
17 Chairman's bill. I want this to evolve, and I want it to be
18 bipartisan, and I want participation from both sides of the
19 aisle. We may, or we may not, get to some specific target,
20 dollar target, on this deficit in this meeting; but I think
21 the discussion will help us have a better understanding of
22 the stakes that are involved and where each member stands,
23 what they feel about it, and what they think we ought to do
24 about it.

25 Second, I would like to create some groundrules on this

1 markup. I hope that this committee will agree that the
2 principal objective, the primary task, is going to be to
3 raise revenues and cut spending. And until we have reached
4 those deficit-reduction goals, I hope we will agree that we
5 will not consider provisions that lose revenues or raise
6 spending.

7 Additionally, I would hope that the committee could agree
8 as a matter of principle not to approve any provisions that
9 increase that deficit, unless you provide the provision to
10 balance it off and keep it revenue-neutral.

11 Now, with that, I would like to call on my distinguished
12 colleague Senator Packwood for such comments as he might have.

13 Senator Packwood. Thank you, Mr. Chairman.

14 I met with the Chairman a few moments before this
15 meeting and told him of what my intentions would be,
16 following a lengthy discussion with Secretary Baker. I
17 suggested to him that we should postpone the consideration of
18 the adoption of new taxes to meet our reconciliation total
19 for the moment. We are due to report on October 19th the
20 reconciliation figures from the Finance Committee. I would
21 suggest that the date of reconciliation be again postponed --
22 we have postponed it once -- and I say that for this reason:
23 We now have in the law the Gramm-Rudman-Hollings Bill, and we
24 have some dates immediately upon us. The snapshot upon which
25 the sequester is based happens in two days. The Congressional

1 Budget Office makes its initial report on October 15th, the
2 OMB makes its initial report on October 20th, and funds are
3 starting to be withheld as of that date. And if nothing else
4 happens, on November 20th the sequester is in full effect, and
5 \$23 billion will be cut -- part of it from defense and part of
6 it from non-defense; roughly half in half, except for those
7 programs that have been exempted.

8 I want to make clear, as I say now, what I think the
9 President might do and what I know he will do -- and I think
10 the "know" depends upon whether either the President or
11 Jim Baker has said, "I will do" the following. And if I say
12 "I think," it is my hunch as to what he will do, but I can't
13 corroborate it for sure.

14 I know that the President will veto any new taxes --
15 period. Jim Baker said that again today. But not necessarily
16 new revenues, if there is an appropriate package, because the
17 President's package has lots of revenues in it -- some are
18 user fees, some are asset sales -- but new taxes.

19 Two: I think -- I am not saying for sure, but I think --
20 the President will live with the sequester, and the
21 \$23 billion cut, including the cut in defense, if he cannot
22 get a satisfactory package from the Congress in that month
23 between October 20th and November 20th.

24 Now, and this is my hunch -- it isn't even a thought,
25 in the sense of what the President will do -- my hunch is

Moffitt Reporting Associates

(301) 350-2223

1 this is what is going to happen in that month: The pressures
2 are going to be great on the Congress, from the social-spending
3 side. For instance -- and this is just a for instance --
4 let's assume libraries get \$100 million. I don't know if
5 that is the figure, but assume it. And assume they were
6 going to be cut \$5-10 million. In terms of their overall
7 budget, it may not appear to us to be a big cut; but if you
8 are a library and you thought your budget was going to be a
9 total of \$50 million and suddenly it is going to be \$42 or
10 \$43 or \$44 or \$45 million, to you it's a big cut. I think
11 the pressures will mount on the Congress, especially on the
12 social side, to do something about ameliorating the sequester.

13 The President clearly wants more money for defense than
14 the Congress has been willing to give him at the moment; but
15 I think -- and this is I think -- that the President will say,
16 "I'll live with the sequester rather than taxes I don't like
17 spent for programs that I think spend too much, if defense
18 doesn't get part of it."

19 In between October 20th and November 20th, therefore,
20 probably in the last 10 days of that 30 days, there will come
21 a bargain between the Congress and the President, and the
22 bargain will include revenues. I won't say taxes or not,
23 although I will make my position clear, I am willing to
24 support taxes as part of the bargain; I only say revenues
25 because maybe it turns out they are all revenues, in the sense

1 of user fees and asset sales, other than the taxes that the
2 President has said he will support.

3 There will come a bargain, which will fall together in
4 the last 10 days, that will include more defense spending
5 than the President will otherwise get with either a sequester
6 or through the present budget process that is being followed,
7 that social programs will get a bit more money than they
8 would otherwise get under the sequester, and that revenues
9 will be a part of the package.

10 Whether this will totally take up the \$23 billion and
11 there will be no sequester, whether it takes up \$15 billion
12 of it and there is an \$8 billion sequester, I don't know. But
13 I think we are wiser to postpone for the moment the
14 decision about taxes and cuts until we see the CBO and then
15 the OMB initial reports as to where the cuts will be. And
16 frankly, I think we ought to let the pot boil with those 30
17 days and see what pressures well to the top, and I have a
18 reasonable confidence that we will get a package. And if we
19 don't, we will get a sequester. And if that is the way it
20 is, I will be willing to live with the sequester, and I think
21 the President will, too.

22 The Chairman. Let me comment on that, Senator.

23 That comes as a very major disappointment to me, I must
24 say. There were some of us who felt that we ought to cut
25 this deficit substantially more than the \$23 billion, that it

1 should have been \$36 billion. Principally the Republican
2 members of the Conferees strongly opposed that and, I felt in
3 many instances, were reflecting the President's viewpoint.
4 At that time, we were talking about a \$19 billion number for
5 revenue. We compromised that at \$23 billion. Republican
6 members at the conference were talking about \$20 billion.
7 We went a long way in their direction --

8 (Laughter)

9 The Chairman. -- by cutting that to the 23.

10 Anyway, we settled for \$23 billion. We went up three
11 billion and felt we had gone a long way toward a compromise.

12 Then, instead of \$19 billion, we were talking about
13 \$10-15 billion in revenue. My friend says the pressure will
14 be on the Congress he thinks principally because of domestic.
15 An awful lot of people in the Congress are just as concerned
16 about defense for our country. But they also believe there
17 are two ways to lose this great country of ours: one is
18 through military conflict, and the other is through economic
19 bankruptcy. And that is the tightrope that we have to walk.
20 It is not an easy one. And there are differences of opinion
21 as to how you structure it.

22 So I am not sure the game is going to work that way.
23 Maybe sequester is what we finally end up with.

24 Now, you have a situation in the House where the
25 Republicans have chosen, as I understand it, not to

1 participate in revenue-raising; they got a committee margin
2 of 26-13. We don't have that here; it's 11 to 9. And one
3 of the great things about this committee is we have tried to
4 work in a bipartisan way.

5 That is one of the reasons I didn't come here with a
6 Chairman's mark or a Bentsen tax package, because I want both
7 sides of the aisle to be a part of it. I think we play a
8 game that is disruptive to the financial markets by continuing
9 to wait and not address the problem. The reality is maybe
10 that because of those margins, that is what we end up with.
11 But I want to explore it for a while anyway, to see what kind
12 of support, if there is enough, that we can seriously
13 address raising the revenues and addressing the problem now,
14 rather than continuing to put it off.

15 Now, that is just as forthright and candid as I can give
16 it to you, and that's the way I feel about the problem.

17 But now, with that, I defer -- let's see, who do we have
18 on this early-bird list? Senator Baucus.

19 Senator Baucus. Thank you, Mr. Chairman.

20 Frankly, I hope that we can move as quickly as we can
21 without waiting, without postponing that October 19th date.
22 And I say that because, even though the President has made it
23 clear that he will veto new taxes, we have all been around
24 here long enough to know that there are many ways to skin
25 a cat. There is a lot of give and take between both ends of

1 Pennsylvania Avenue. And we all know even more fundamentally
2 how important it is to reduce the budget deficit. We all talk
3 about it. In fact, each day we postpone it, the greater the
4 problem is.

5 We also know that the more quickly we reduce that
6 deficit, the more likely it is that the financial markets will
7 respond positively, the country will respond positively, and
8 we will begin to set a tone for this country that is more
9 responsible.

10 I hope that we move ahead. I hope that as we move ahead
11 we find ways to accommodate and work with both sides of the
12 aisle -- in this case, particularly the Republican side --
13 and at the same time work with the White House.

14 It is clear to me that if we wait, if we wait for the
15 pot to simmer, we are going to be continually postponing,
16 and frankly, I think playing into the hands too much of the
17 White House, which will then be too much of a player in this.

18 We were elected to hold certain responsibilities.
19 Certainly, with Gramm-Rudman passed we have certain
20 responsibilities; as Senators we have responsibilities; and
21 even more, as members of this committee we have further
22 responsibilities. And I think, further, as you said,
23 Mr. Chairman, it is important that we maintain the bipartisan
24 character of this committee. It has been a hallmark of this
25 committee, and we should continue to work -- maybe it is in

1 various ways, maybe it is in various Senators' offices,
2 maybe it's out here, who knows where? Maybe with some
3 Republicans, maybe at some times not with Republicans. I
4 just think we should do the best we can and keep working,
5 and continue to forge ahead, because we all know we are
6 better off if we do.

7 You know, Ben Franklin said, "We hang together or we
8 hang separately." I think we should listen to that advice.
9 Let us stick together so that we don't hang separately.

10 The Chairman. Thank you, Senator.

11 I see the next on the arrival list is Senator Rockefeller.
12 Senator Rockefeller. Mr. Chairman, I voted for Gramm-
13 Rudman, and there were many at the time who said that we would
14 all rue the day. Well, I think we will rue the day if we
15 face the alternative to what we have a responsibility to do
16 here, which is to somehow reduce our deficits. If we don't
17 do that, we are going to have a sequester. Now, there may
18 be some who can live with sequester, but I can't, and the
19 people of the State that I represent cannot.

20 When I voted for Gramm-Rudman, I did it because I
21 believed in the process that we have here in this committee
22 and in this Senate to work out critical national problems.
23 We usually don't, but I think we are capable of it. On this
24 one, I think we have to be, because I think a sequester is
25 simply unacceptable as an alternative.

1 The only way we can do that, Mr. Chairman, it seems to
2 me, is precisely what you said, that we have to resolve that
3 it is our goal to make these reductions of the deficit,
4 either through taxes and cuts, a combination of both, or
5 whatever. And we will have to do both. It is our
6 responsibility.

7 Some who have been here a long time said that they have
8 rarely seen the United States Senate as bitterly divided in
9 a partisan fashion as we are now. I can't comment on that,
10 because I have only been here slightly over two years. But
11 if there is any subject on which we cannot afford to be
12 partisan, it is the matter of the budget deficit. And if
13 there is any committee in which we cannot afford to be
14 partisan in the United States Senate, it is this one.

15 When people talk about the Senate Finance Committee, when
16 I heard about the Senate Finance Committee back when I was
17 Governor of West Virginia, and before, when I was not on this
18 committee in the Senate, it was always that it was a
19 committee that worked together, and it had a special kind of
20 nobility, because it did work together. We saw that on the
21 Trade Bill.

22 Now, I think our test is really here, Mr. Chairman, as
23 you indicate, on this subject. The trade deficit points to
24 the direction of our economy, and we worry about it; but the
25 cancer in our country is this budget deficit. I am not one

1 for postponing the solution for it to the next President; I
2 think we have got to do our part, and we've got to do it at
3 the \$23-billion level, as is suggested by our compromise on
4 Gramm-Rudman.

5 We need Democrats, we need Republicans. We may fight on
6 the floor, but we've got to work it out in this committee;
7 we have to take the leadership. I feel that strongly. And
8 Mr. Chairman, I want you to know that I am ready to do my
9 part to support your view of our responsibilities in this
10 committee.

11 The Chairman. Thank you, Senator.

12 Senator Chafee?

13 Senator Chafee. Thank you, Mr. Chairman.

14 I voted for Gramm-Rudman because I felt it was the only
15 way that we are going to reduce these deficits. I feel
16 strongly about the fiscal dilemma the country is in.

17 I think we have got to recognize that there are several
18 players in this drama. The President has a major role, and I
19 think we are not going to solve the problem until we get him
20 as an active player, because there are three things that have
21 to be dealt with: domestic spending, taxes, and defense. And
22 the President so far seems adamant on at least two of those
23 items -- well, I guess all three. Until we get him involved,
24 the White House, I just don't think we are going to be able
25 to solve the problem. We may pass taxes here, but if the

1 President isn't going to accept them, and I think apparently
2 there are enough votes in the Senate to sustain any veto, we
3 just haven't gotten anywhere.

4 So I don't see a resolution of this problem until we do
5 have the White House actively involved, and apparently that
6 may well not be until the sequester comes into play.

7 Mr. Chairman, I would just like to mention one other
8 thing on a point you made about us not touching other matters
9 in this reconciliation that might cost money.

10 We have all been involved with conferences with the
11 House on reconciliation measures; and especially in the health
12 care area, they come forward with a whole host of health care
13 propositions that we believe in, so we spend our time cutting
14 them back, but some go through.

15 What bothers me is that at least so far in this
16 committee -- and I recognize there are constraints -- we
17 haven't had a vehicle in which we have been able to deal with
18 some of the health matters that are of great concern to us.

19 I would like an agreement, a commitment if you would, or
20 find out your feelings, that we would have an opportunity to
21 work on some health care measures in this committee if we
22 did not choose to go forward with them in reconciliation. I
23 mean, there are some things dealing with Medicaid that I feel
24 very deeply about. But the problem is, there is no train
25 leaving the station except this one. And if we exercise the

1 constraint that you urge upon us, we lose the opportunity to
2 deal with these matters. I know that some of them are ones
3 that you are actively concerned with, yourself.

4 Could you give us some indication that we would have
5 that opportunity and indeed some legislation, dealing with
6 particularly Medicaid and expansion of it. I will candidly
7 admit it involves an expansion of it. I have legislation
8 dealing with a program called MedAmerica, which permits
9 individuals to buy Medicaid insurance. Those who are the
10 working poor and who no longer qualify because of previous
11 conditions, or whatever it might be.

12 The Chairman. Senator, let me respond to your question
13 to say that I stated that, first, I wanted us to respond to
14 the cutting of the deficit by the \$23 billion, and making the
15 cuts that we have to in appropriations that are charged in
16 our jurisdiction, and in turn to raise the funds. Get that
17 out of the way and done. That is our main objective.

18 Then, after that, we can consider other proposals, but
19 I want them to be revenue-neutral. It is awfully easy to
20 bring out a new program and to spend money; there are a lot
21 of them I have in mind that I would like to do if we didn't
22 have the budget constraint.

23 BUT I would like to see us then follow the same
24 procedure that the previous chairman did when we got to the
25 tax bill. At that point, finally, it was a revenue-neutral

1 proposal; there was going to be a way to pay for it. And
2 the fellow that had the courage to offer the new program also
3 had the courage to say, "This is how we are going to pay for
4 it."

5 Senator Chafee. Well, I will give you some attractive
6 ways to pay for it.

7 The Chairman. Yes, I know.

8 (Laughter)

9 The Chairman. A couple of them I would agree with, I
10 think.

11 But failing that, I don't know if we are going to have
12 time -- time is running out, insofar as this year. And we
13 don't have to get it all done this year.

14 Senator Chafee. Well, I appreciate that; we are in a
15 session of two years, and so everything doesn't have to be
16 done by this calendar year. But I am anxious on this
17 particular area, and I would hope that we would have a vehicle
18 and that we would have the hearings and markups and attention
19 to it that I think it deserves.

20 The Chairman. I am not sure you will get them this
21 year, frankly; but I would strongly feel that early next year
22 we would be able to, because I share some of the same concerns.

23 Senator Heinz?

24 Senator Heinz. Thank you, Mr. Chairman.

25 I think we have our work cut out for us, but we have

1 reached a sense that it may be possible, but it isn't going to
2 be easy.

3 I share in some of Senator Packwood's concerns, but it is
4 likely we will be back here sometime between the 20th of
5 October and the 20th of November, dealing more aggressively
6 and perhaps more knowledgeably as we contemplate the
7 practical effects of a \$23 billion sequester.

8 But speaking for myself, I am going to do my very best
9 as a member of this committee to help make responsible
10 choices; although I suspect it is possible that we may not
11 get a complete package that will meet the criteria that we
12 are ultimately going to have to meet.

13 The Chairman. Thank you.

14 Senator Matsunaga?

15 Senator Matsunaga. Mr. Chairman, thank you.

16 As I understand it, this committee has been charged with
17 the responsibility under the Revised Gramm-Rudman-Hollings
18 procedures and targets of raising \$12 billion in revenues for
19 Fiscal 88, and I for one am reluctant to reopen the major
20 provisions of the Tax Reform Act of 1986 so soon after its
21 passage.

22 Major changes in the rate structure, for example, may
23 lead to other dramatic changes in the Tax Code, which
24 underwent a dramatic revision just a year ago.

25 As an alternative, I believe this committee should

1 carefully consider other revenue-raising options which have
2 been compiled by the staff of the Joint Committee on
3 Taxation. The Joint Committee on Taxation's compilation of
4 revenue options will serve, I believe, as the valuable
5 starting point toward meeting these budget reconciliation
6 obligations.

7 The Chairman. Thank you, Senator.

8 Senator Bradley?

9 Senator Bradley. Thank you very much, Mr. Chairman.

10 When we used to talk about the Senate Finance Committee
11 in the Nick's locker room --

12 (Laughter)

13 The Chairman. Well, why don't you clean it up and tell
14 us?

15 (Laughter)

16 Senator Bradley. We used to say, "Now, that's where
17 a lot of work is done."

18 (Laughter)

19 Senator Bradley. Indeed, in the last several years we
20 have done a lot of work. In 1981 we cut tax rates
21 dramatically, and at the same time we increased defense
22 expenditures in the Congress, cutting non-defense
23 expenditures less; and then in 1982, when we saw the impact
24 on the deficit, with deficits going up dramatically, we
25 passed through the Finance Committee not a tax increase but a

1 revenue-enhancement, which consisted of closing a number of
2 loopholes.

3 In 1986 we cut tax rates and closed loopholes
4 simultaneously.

5 So I might suggest that, if we are looking for revenue
6 and we don't want a tax increase, and instead a revenue
7 enhancement that the President has demonstrated a willingness
8 in the past to sign, that we might continue along the route
9 of further closing of loopholes and present that as a
10 revenue-enhancement package to the President.

11 I am pleased to hear what you said, Mr. Chairman, about
12 revenue neutrality. I think that that will be very important
13 as we continue our deliberations, and I hope that we will have
14 bipartisan cooperation as we go forward, because, as you said,
15 the margin is very slim in here, and we all are going to have
16 to answer the questions.

17 Thank you.

18 The Chairman. Thank you.

19 Senator Pryor?

20 Senator Pryor. Mr. Chairman, I yield back the balance
21 of my time.

22 (Laughter)

23 The Chairman. Senator Daschle?

24 Senator Daschle. Thank you, Mr. Chairman.

25 I can recall back in '81, I think it was, when the

1 questions were asked, "If not now, when?" and, "If not us,
2 who?" And I think the answer that we seem to be hearing this
3 morning is, "Not us," and, "Not now." And I think it is a
4 charade, really, in that regard, that we are not living up
5 to the responsibility that we have all taken as we joined
6 this committee. It is no secret that the \$170 billion that
7 we are facing in debt is not going to be paid for by
8 Gramm-Rudman, by transferring cuts from domestic to defense;
9 it is no secret that unless we raise revenue in some way, we
10 are not going to address the deficit as we are called upon
11 to do so, responsibly.

12 So, in my view, I think we are playing charades this
13 morning. And I think until we come to the realization,
14 the charades must be put aside, and that we really have to
15 address this question directly, recognizing that, regardless
16 of how we push the pieces, we are simply not going to come
17 up with a deficit-reduction package that will allow us to
18 responsibly look at the next generation and say, "We are
19 not going to force you to pay for it," we have got to come to
20 grips with it. And the time to do it is now, and the people
21 to do it are us.

22 I think that the degree to which we would have
23 bipartisanship in this committee, right now, in a bicamera
24 way, makes the whole question of the Presidential opposition
25 irrelevant. And I say that with respect. But if we all

1 agreed on a package in a bipartisan way, on revenue and on
2 cuts, whether or not the President agrees with that is no
3 longer a factor. I know that that is probably too much to
4 ask, but that is the case.

5 So I would hope that we could show bipartisanship in
6 living up to these responsibilities and literally say, "The
7 time is now, and the people to do it are us."

8 I thank the Chairman.

9 The Chairman. Thank you, Senator.

10 Senator Durenberger?

11 Senator Durenberger. Mr. Chairman, to further mix a
12 metaphor, 10 years ago I was sitting out in Minnesota, and I
13 didn't care whether there was a Senate Finance Committee.
14 I was trying to figure out how a Rockefeller could be a
15 Democrat.--

16 (Laughter)

17 Senator Durenberger. -- let alone be a Governor of
18 West Virginia. And I was wondering how a Rhodes Scholar
19 would become a basketball player, and really didn't even have
20 any thought about running for the United States Senate, 10
21 years ago.

22 It is interesting now that I have nine years of
23 experience on this committee to reflect on how the
24 institution, that is, the Finance Committee, is really this
25 mixture of unique personalities that sit around this table,

1 but also to reflect on the fact that, much as we want to be
2 nonpartisans and we want to do what is right by the
3 country, we are still, in 1987, in the grasp of a lot of
4 folks sitting around locker rooms and a lot of folks like me
5 sitting out there in Minnesota, who really think they have
6 got the answers to the problems that face us.

7 And right now, most of those folks are watching the
8 stock market bounce up and down, they are doing all right,
9 they are looking at issues like the Bork Nomination as the
10 biggest thing in their life, and I don't know that they have
11 the depth of feeling about the issue that faces us that we
12 do, because we have had all these years of experience with
13 it. So, we become better predictors of the future, as we
14 have heard around this table, than they.

15 And yet, by the same token, they have got a grasp on our
16 capacity to deal with the issues.

17 So, it seems to me that the reality that we face here
18 in the last seven or eight years is that we have been trying
19 to run government by deficit. I mean, we have been talking
20 about balancing the budget while it gets deeper and deeper and
21 deeper. One year we raise taxes, and the next year we cut
22 them -- or I guess it goes the other way around -- and as
23 John Chafee says, the only train you can get on that leaves
24 this particular station every year is either a tax bill or
25 reconciliation. And I don't imagine that is the way this

1 committee used to operate; I would imagine this committee used
2 to create Medicare and Medicaid, and various titles of the
3 Social Security Act. And I would assume we used to sit here
4 and deal in a positive, constructive kind of way with what
5 role the national government ought to play in meeting the
6 needs of people in this country.

7 But I think we will all admit that in the last six or
8 seven years we haven't done that; we have spent all of our
9 time dealing with the subject that brings us together today.

10 And regrettable as it may be to all of us on this
11 committee, I think the ranking Republican on this committee
12 has accurately stated the realities. And whether we like it
13 or not, or whether it frustrates us or not, I think he has
14 stated the realities of the next six weeks. He may not be a
15 total prophet on how the issues end up here, but my instincts
16 are that he is probably right about what is going to happen.
17 And whether we support him or not in this effort is not as
18 important as the fact that we all need to come to grips with
19 the realities of adjusting our responsibilities to what is
20 going on out there.

21 I regret to have to say that, Mr. Chairman, because I
22 admire your leadership and that of every member of this
23 committee in really trying every single year to do something
24 about the deficit.

25 The Chairman. Thank you, Senator.

1 Senator Danforth?

2 Senator Danforth. Mr. Chairman, I would guess that
3 every member of the Finance Committee agrees with the
4 proposition that the budget deficit is the largest single
5 domestic problem that the country faces. I certainly believe
6 that, and I have heard a number of members of this committee
7 say similar things.

8 I also think that most of us would agree that
9 reconciliation is better than sequestration, that it is
10 better to make decisions than to let things happen
11 automatically.

12 I think it is clear that, as a practical matter, nothing
13 is going to come of reconciliation without the participation
14 of both the President of the United States and the Speaker
15 of the House of Representatives.

16 I would like to believe, as Senator Daschle says, that
17 the Finance Committee addressing this question by itself
18 could bring results; but as a practical matter, I doubt that.
19 I have seen the Senate act.

20 I remember back in May of 1985 at about 1:00 or 2:00 in
21 the morning, Senator Wilson was literally wheeled onto the
22 floor of the Senate to cast his vote, which led to the
23 adoption of a budget resolution. I believed at that time
24 that that was going to bring about major reductions to the
25 deficit; I think, in hindsight, it is clear that it would have

1 done so. But even to get something past the United States
2 Senate doesn't make it law; it takes the President, it takes
3 the Speaker of the House, it takes some sort of agreement,
4 some sort of mutual political cover that each of those two
5 people offers the other to bring about real reform with
6 respect to the deficit and the federal budget.

7 The problem is that everyone who is in elective office
8 at the federal level, both members of Congress and the
9 President, had been burned politically on budget questions.
10 Republicans have been burned by being accused of being
11 insensitive, callous, ruthless cutters of spending of
12 everybody's favorite programs. Republicans have had to go
13 over to the floor of the Senate time and time again in the
14 last six or seven years to vote against all sorts of very
15 popular, very sympathetic proposals for increasing spending
16 or restoring cuts.

17 And similarly, Democrats have been burned by always
18 being accused of wanting to raise taxes. Many think that
19 Vice President Mondale came a cropper in his 1984 campaign
20 because he stated in his acceptance speech at the Democratic
21 convention that he was for a tax increase. So, nobody wants
22 to propose tax increases, and nobody wants to vote for
23 spending cuts if nothing is going to come of it.

24 I think all of us want to put the country first -- both
25 parties, Republicans and Democrats. If it came right down to

1 it, "Yes, we want to put the country first," above ourselves.
2 But we want some sense that something is to be accomplished.
3 Nobody wants to sacrifice himself for an absolutely futile
4 enterprise.

5 I think the sense of many people on this committee is
6 that it is a futile enterprise, unless the President and the
7 Speaker of the House meet together, quietly, privately, and
8 arrive at some sort of truce.

9 It is amazing that we can negotiate an IMF treaty with
10 the Soviet Union, and we can't negotiate a budget treaty
11 between the President of the United States and the Speaker
12 of the House of Representatives.

13 I am most anxious to participate in the process, Mr.
14 Chairman, but I am anxious to participate in the process if
15 I can see some good that will come of it.

16 I am reminded of what Senator Long used to say in this
17 committee. He used to say, "I don't like any combine that I
18 am not a part of." And my feeling is that I don't like to be
19 part of any combine that the President and the Speaker of the
20 House aren't part of.

21 So I think that Senator Packwood is correct in his
22 assessment of the reality of the situation. When this
23 process moves along, and when it becomes clearer that
24 sequestration is a live possibility, then I see at least a
25 chance that there will be meaningful negotiations between the

1 President and the Speaker of the House. But until that time,
2 I frankly feel we are spinning our wheels.

3 The Chairman. Thank you, Senator.

4 Senator Wallop?

5 Senator Wallop. Mr. Chairman, while Senator Bradley
6 was in the Nick's locker room and others were in other
7 places, I was in my ranch in a feed lot, where I used to
8 shovel for free what we now kind of wander in up to our knees.

9 (Laughter)

10 Senator Durenberger. Are you reflecting on the rest of
11 us?

12 Senator Wallop. I am reflecting on us all; it is a
13 collective damnation.

14 But I have got to say to my friend from South Dakota
15 that when we joined this committee we didn't take a vow to
16 raise taxes to the exclusion of any other judgment. We didn't
17 get a GI issue of blinders which said that we couldn't
18 responsibly take another view.

19 In the President's Budget there are a lot of revenues
20 which we out of hand -- "we," this Congress, not some of us
21 -- out of hand rejected. And I think the view of asset
22 sales and user fees have their own complications, to be sure,
23 but to reject them out of hand is I think irresponsible when
24 they themselves are attractive alternatives to raising the
25 people's taxes, are attractive and responsible alternatives,

1 and to this Senator at least, preferable.

2 I don't see any reason why this committee should feel
3 itself compelled to raise taxes, when there are other
4 revenue measures that are a good deal more creative and a
5 good deal better for this economy than those which we can
6 address ourselves to in general here.

7 The Chairman. Thank you, Senator.

8 Let me state that there is no way I agree that the
9 Finance Committee can do it by itself, but it can't be done
10 without the Finance Committee, either. It is a question of
11 somebody exercising some leadership on this thing. And if we
12 can make a contribution there, I think we ought to do it.

13 These things do have to be done one step at a time, and
14 somebody does have to stick their neck out. I am ready to
15 participate in that.

16 There are a lot of reasons not to act, and we can always
17 find them. It is not just the Speaker and the President, it
18 is the Speaker, the President, and the United States Senate.

19 In my opening comments I certainly did not negate the
20 revenue-raisers in the President's package; I said I don't
21 think that is all of them, I think there are others we can
22 look at. But what I am hearing thus far, it seems to me, is
23 that we don't even consider those, that we not try to put
24 together any package, let, in effect, sequestration take
25 effect.

1 Farnkly, that is very much a disappointment to me. I
2 don't agree with that at all. But I think what we have to do
3 now is to reflect on the comments that have been made, try
4 to evaluate them, see what possibility we have of putting
5 something together that will float, in the way of cuts and
6 revenue-raisers.

7 My distinguished friend Senator Packwood may well be
8 right. If it is looked on as a partisan issue, I think he
9 probably is right. But I am willing to explore it a little
10 while longer and see if we can't come up with something that
11 we can put together that will really make some serious
12 headway and we can avoid sequestration.

13 It is going to require a lot more thought than I have
14 been able to give it for that point of view.

15 Unless there are further comments --

16 Senator Packwood. Mr. Chairman, let me say one thing
17 more, if I might.

18 The Chairman. Yes.

19 Senator Packwood. First, let's separate myth from
20 reality in the use of the word "charade." The target we are
21 shooting for now is \$23 billion, not 36. Thirty-six is out
22 the window. We are not going to have a \$36-billion
23 reconciliation; we are not going to have a \$36-billion
24 sequester.

25 We are going to have, apparently, \$23 billion in deficit

1 reduction unless we were to change the Gramm-Rudman Bill, act
2 now, and the President would have signed it. We would either
3 get it through a sequester -- which I do not prefer -- or
4 we would get it through a budget package, which the President
5 is only prepared to accept if it is a package, and there have
6 to be things in that package that the Finance Committee cannot
7 deliver -- not in our jurisdiction. We could pass the world's
8 most perfect revenue component of a package, but there isn't
9 going to be a package with only the revenue component.

10 So it is foolish for us to think, and it is a charade
11 for us to think, we can do it ourselves, no matter how
12 responsible we are and no matter we do it on a partisan or
13 a bipartisan basis, or aiming for \$23 billion.

14 My advice to the President and to Secretary Baker will
15 be to negotiate and to accept taxes if necessary, revenues
16 rather than taxes if you can get them, but accept a
17 responsible package that avoids the sequester. And I am
18 willing to vote for a responsible package that will include
19 taxes, if necessary to avoid the sequester, even if the
20 President is going to veto it, and even if the veto is going
21 to be sustained, and I don't mind being on record on that
22 position.

23 Although, my hunch would be that, for all of those who
24 have talked about charades and courage today, if we really get
25 to that, and if you really know that you have got to vote for

1 taxes for a package to avoid the sequester, and you really
2 know ahead of time that the President is going to veto that
3 package and that the veto is going to be sustained, that we
4 won't vote for the taxes, because all you have got is a black
5 mark alongside your name for having voted for some taxes that
6 somebody doesn't want, and no salutary effects resulting
7 because the package has been vetoed.

8 The Chairman. Senator, the frustration, though, is, no
9 one is saying that this Finance Committee is going to have
10 the whole package. We are not. We understand that. But
11 you are not going to get these other committees to do what
12 they have to do unless we do what we have to do to put that
13 together.

14 Rumors are I might run for re-election next year, and
15 I am willing to bite the bullet insofar as revenue-raisers,
16 and to help put together what I would think would be a
17 responsible package, some of it the President's revenue-
18 raisers -- we will look at those seriously; I would be
19 prepared to do that -- and see what other options that members
20 of this committee have in the way of revenue-raisers, see
21 what we do in the way of cuts, do our part of the package in
22 this committee. No way those other committees are going to
23 accomplish it without us being a part of it. You take out
24 this, which is the key block, and the whole package fails.
25 And we understand that. The idea that we delay some more, I

1 think, just adds and complicates the problem.

2 But I am ready to call a recess at this present time
3 and let us go back to the drawing boards and visit amongst
4 each other, and see what can be accomplished with that.

5 Senator Matsunaga. Mr. Chairman, may I say one thing?

6 The Chairman. Senator Matsunaga.

7 Senator Matsunaga. It seems as though there is thinking
8 here on the part of the members that voting for tax increases
9 will constitute a black mark against each of us. Well, the
10 experience we had over in Hawaii, believe me, we ran in 1954
11 on a platform one of the planks of which called for raising
12 taxes, for the purpose of paying the debt which the other
13 party, in power for 56 years, had accumulated, which took
14 almost one-third of the budget. And we did run on the plank
15 of raising taxes for the purpose of paying off that debt, and
16 we won. And after we paid off that debt, we reduced the
17 taxes -- eliminated the taxes.

18 I think if we go out and let the people know that here
19 we have a serious situation of a national debt, which may lead
20 us into a depression unless we take care of it, I think
21 people will understand, and I think it won't be a black mark
22 but will be a gold star after we pay off the debt.

23 The Chairman. Well, let me say to my friend from Hawaii,
24 I see a lot of Senators around here and a lot of House
25 members seek a little bit of immortality, want some kind of

1 package named after them -- scholarships, whatever it might
2 be. I don't see anyone wanting to have a tax package named
3 after them.

4 (Laughter)

5 The Chairman. And I understand that, too.

6 Senator Matsunaga. I will volunteer.

7 The Chairman. All right.

8 Senator Matsunaga. I am not running for President.

9 (Laughter)

10 Senator Packwood. I am willing to accept his offer, and
11 call it the "Matsunaga" --

12 (Laughter)

13 The Chairman. I still think that we hired out to
14 respond to those kinds of responsibilities and those kinds of
15 tough calls, and I still think that is what the committee
16 ought to do. But with that, I am going to put a summation.

17 Senator Bradley. Mr. Chairman, could I make one
18 comment?


19 The Chairman. I would really like to bring it to recess.

20 Thank you.

21 (Whereupon, at 11:11 a.m., the meeting was concluded.)
22
23
24
25

C E R T I F I C A T E

1
2 This is to certify that the foregoing proceedings of
3 a meeting of the Executive Committee of the Committee on
4 Finance, held on Thursday, October 8, 1987, were transcribed
5 as herein appears and that this is the original transcript
6 thereof.

7
8 
9 WILLIAM J. MOFFITT
10 Official Court Reporter

11
12 My Commission expires April 14, 1989.
13
14
15
16
17
18
19
20
21
22
23
24
25