

EXECUTIVE SESSION

WEDNESDAY, FEBRUARY 28, 1979

United States Senate,
Committee on Finance,
Washington, D.C.

The committee met at 10:20 a.m., pursuant to recess, in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long (chairman of the committee) presiding.

Present: Senators Long, Byrd, Nelson, Gravel, Bentsen, Moynihan, Baucus, Boren, Bradley, Dole, Packwood, Roth, Danford, Chafee, Heinz and Wallop.

Also present: Mr. Lighthizer, Stern, Morris, Humphreys, Constantine, Wetzler and Buckberg, Staff.

Chairman Long. Let's come to order.

It has just occurred to me, after yesterday's session, Mr. Stern, that some of these items can be resolved as easily by just incorporating them into the overall category.

For example, is there a way that we could say this allowance for the real wage insurance -- that is a revenue matter, is it not?

Mr. Stern. The context in which you will be considering the legislation is as revenue legislation. However, the definitions have been changed so that the refundable portion of

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1 revenue legislation is now called an outlay. Even though you
2 see that the bulk of the real wage insurance appears in the
3 section on revenues, there is a little bit of it which is the
4 refundable portion that is considered to be an outlay. That
5 will wind up in the category called "Income Security," as will
6 items number one, social security cash benefits and item number
7 two, welfare programs.

8 Those two plus unemployment compensation, plus the outlay
9 portion of real wage insurance all show up lumped together in
10 one category.

11 Chairman Long. Is there any reason why we cannot lump
12 this number seven which assumes the Administration's figure
13 in the same category with that which assumes we are going to
14 reduce welfare spending and that we are going to raise social
15 service spending and we are going to save some money in social
16 security cash benefits?

17 Why cannot we lump that all together?

18 Mr. Stern. You will lump all those together except for
19 social services.

20 Chairman Long. Leave social services out?

21 Mr. Stern. That is a separate category under the budget
22 act. The first one, the social security area and the welfare
23 program area plus what you do on the outlay portion of real wage
24 insurance will all wind up as one number.

25 Chairman Long. We would find ourselves bound to an overall

1 total if we do that?

2 Mr. Stern. That is correct.

3 Chairman Long. That being the case, in the event the real
4 wage insurance thing should not become law, that means we would
5 have a little less burden on us to try to cut down on the welfare
6 that we would have otherwise?

7 Mr. Stern. Yes, sir.

8 Chairman Long. Or, to cut down on the unemployment
9 insurance than we would otherwise.

10 Mr. Stern. That is correct.

11 Chairman Long. You could work all that in and it has the
12 fortunate situation, too, that we could go on ahead with our
13 bills and then when we get the second budget resolution, we can
14 see where we stand and see whether we are on target or below
15 target, as the case may be, and advise the Budget Committee at
16 that point how we want to do it.

17 That would not commit us to how we have to vote on the
18 real wage insurance at this point.

19 Mr. Stern. That is correct. You would be making an
20 allowance which would allow you to do it but you would not be
21 saying whether you are doing it or not. You would be
22 accommodating it without making a legislative decision at this
23 time.

24 Chairman Long. If the House sends us the bill, we can hold
25 hearings and consider alternatives and all of that and in the

1 event the program passes and if we think we can handle it within
2 the overall context of these categories, that means we would have
3 to cut a little more deeply, either do a little less than we had
4 in mind.

5 Actually, we would have to do a little more than we were
6 counting on doing on the social service benefits or we would have
7 to cut the welfare program or the unemployment insurance by a
8 little more than we would have to cut it otherwise.

9 Mr. Stern. That is correct. You would be winding up
10 saying that in all of these programs lumped together, you would
11 expect in one way to save a net of \$800,000,000. You might do
12 that by saving a billion dollars and spending an extra
13 \$200,000,000 for the real wage insurance or you might do it by
14 not passing the real wage insurance and only saving \$800,000,000
15 out of some combination of unemployment compensation, welfare
16 and social security.

17 You would be free to do it any way as long as you wound up
18 with a net savings of \$800,000,000.

19 Chairman Long. I would urge we do that. That being the
20 case, it does not commit anybody to vote for the real wage
21 insurance. It does not commit them to vote against the real
22 wage insurance. If it should fail to pass, it leaves us a little
23 more slack with a little less pressure on these other items.

24 Frankly, I think we could live with it and find a way to do
25 it. If we cannot do it, by the time the second budget resolution

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1 comes along, if we do not think we can do it at that point, then
2 we can advise the Budget Committee that we do not think it can be
3 done.

4 Mr. Stern. You will be making a re-evaluation just before
5 Labor Day on that question. You would know by that point more
6 realistically what you could pass or not.

7 Chairman Long. From point of the spending aspects of the
8 program and the taxing part, too, if the real wage insurance
9 should fail to become law, we would just have substantial slack
10 for tax cuts on the one hand and for more spending on the other,
11 if we wanted to do it.

12 We could do what Harry Byrd wants to do, just reduce the
13 deficit by that much.

14 Senator Byrd. Reduce the deficit, that is a good idea.

15 Chairman Long. That will be definitely included in the
16 possibilities, that would be used for further reduction of
17 deficit. I have no doubt how Harry is going to vote on that.

18 If there is no objection, we will lump number one, two
19 and seven together in that fashion.

20 Mr. Stern. Mr. Chairman, since yesterday, you did
21 tentatively agree on social services, just to stay with the
22 figure in the President's budget, which brings you to the
23 health programs.

24 There was a fair amount of discussion in the Committee
25 yesterday. The issue was not actually resolved one way or the

1 other.

2 The President's budget has \$2.1 billion in savings and
3 \$0.3 billion in a new program for a net of \$1.8 billion in
4 savings. The staff suggestion was that you only commit yourself
5 to savings of \$1.5 billion.

6 We would add, since you have scheduled hearings for
7 mid-March on cost containment proposals, that if you do agree
8 to a number of this magnitude, that you direct the staff to
9 describe more fully the proposals which are just outlined on
10 page 54 of the blue book and issue a press release to that
11 extent so that people who come in and testify at those hearings
12 can comment on these proposals as well.

13 Senator Bradley. Mr. Chairman, does the \$1.5 billion
14 include the child health legislation?

15 Mr. Stern. It does not take a position one way or the other.
16 That would be a net figure. If you wanted to do \$300 million
17 worth of child health program, you would save \$1.8 billion.

18 The total amount which you could save by doing all of these
19 items is probably something like \$2 billion. You would have a
20 certain amount of latitude there if you wanted to do a new
21 program at the same time as you were saving funds.

22 Chairman Long. Mr. Constantine?

23 Mr. Constantine. Mr. Chairman, in addition to these, we
24 have a few other possible cost saving recommendations which in
25 addition to those described, which we have developed since that

1 went to press, and we would like to add those to any staff
2 suggested alternatives for the Committee's consideration, simply
3 for drafting purposes and you can decide later on whether you
4 are interested or not interested in the suggestions.

5 Mr. Stern. Also to give people a chance to comment at the
6 hearings.

7 Chairman Long. If I understand it, it is your thought,
8 Mr. Stern and Mr. Constantine, knowing how the Committee has
9 reacted to these provisions in the past, that we are going to
10 have real difficulty in getting to a \$1.5 billion savings.

11 Mr. Constantine. To a \$1.8 billion savings, which was
12 the Administration's figure. The \$1.5 billion is going to be
13 very hard to get it.

14 Mr. Chairman, I must say the staff, for working purposes,
15 is even assuming in that \$1.5 billion, probable enactment of
16 some kind of standby overall hospital cost containment
17 legislation in addition. It is going to be a rough figure to
18 get to even with all of the alternatives we have.

19 We think that is the maximum number of \$1.5 billion.

20 Senator Danforth. Mr. Chairman, if I may. Last year we
21 had several proposals before us on hospital cost containment.
22 The bill which was passed by the Senate was Senator Nelson's,
23 is that not right?

24 Mr. Constantine. Yes, sir. It was actually Senator
25 Talmadge's with Senator Nelson's billing on top of that, with

1 some additional floor amendments.

2 Senator Danforth. What was the difference in potential
3 savings? Do you remember? I mean between what was passed by the
4 Senate last year and what the Administration was recommending.

5 Mr. Constantine. I do not think, Senator, there was ever
6 any final estimate of what the Senate passed, counting the
7 floor amendments. It was never costed out. Even that would
8 nowhere approximate the \$1.8 billion which the Administration
9 estimates. It would not even come close this year.

10 Their cost containment proposal last year, the
11 Administration's nine percent proposal, would have saved in
12 Medicare and Medicaid something like \$700 million. That was
13 last year's approach.

14 There is no way they can come up with \$1.8 billion short
15 of a gutting kind of thing.

16 Senator Danforth. What about \$1.5 billion?

17 Mr. Constantine. The \$1.5 billion, we think is completely
18 not feasible either. They might, doing a tough a job as they
19 can, come up with \$800 or \$900 million. We have not seen their
20 proposal yet. It is not nailed down as yet.

21 Senator Danforth. My concern is if we assume for budget
22 purposes the \$1.5 billion, that we will have locked ourselves
23 into a policy decision that will be something that is contrary
24 to what the majority of the Committee would want to do if our
25 deliberations of last year are any guide to what our position is

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1 going to be this year.

2 Mr. Constantine. Senator, your choices are these, as we
3 see it. You can just disregard the Administration's estimated
4 savings on hospital cost containment and add \$1.8 billion to the
5 deficit. That is the hard way. Frankly, the staff's concern
6 there was any kind of labeling a budget buster on the Committee
7 because you did not accept that \$1.8 billion.

8 The alternative was to try to develop as many possible
9 alternative approaches to hospital cost containment, to achieve
10 significant savings approximating those in the budget as we
11 could think of and we have most of those listed here.

12 Those are really your options as we see them, or a
13 combination.

14 Chairman Long. Mr. Constantine, since you have been
15 with this for some time and you have followed it closer than
16 anybody who is sitting here, how much savings do you think
17 it would be? The Senate voted for more cost containment than
18 the Committee voted for last year.

19 Assuming we would go along with what the Senate did last
20 year, which was really more containment than the Committee voted,
21 and do some of these other things that you have been looking at
22 and knowing what you know about the Committee and the general
23 attitude of the Senators, about how much cost containment do you
24 think we might be able to come up with?

25 Mr. Constantine. Assuming enactment of a standby hospital

1 Mr. Constantine. Assuming enactment of a standby hospital
2 cost control program or an alternative approach, we think overall,
3 with these options here, you might come up with \$1.5 billion.

4 Senator Dole. That is if we do all of them.

5 Mr. Constantine. No, sir. The sum of these would be a
6 little more than \$1.5 billion. It would probably be about
7 \$2 billion if you had all of these plus some kinds of cost
8 containment. The Administration has about \$400 million in
9 benefit increases which we did not include, such as CHAP,
10 which is \$300 million.

11 In other words, you could achieve additional reductions by
12 not acting on their benefit increases or postponing the effective
13 date of those.

14 We think there is a reasonable possibility on an aggregate
15 basis of approaching \$1.5 billion, not \$1.8 billion. Again,
16 that is another matter that you could review once more before
17 the second budget resolution.

18 Chairman Long. This standby bill that we are talking about,
19 is that something that did pass the Senate or did not pass the
20 Senate?

21 Mr. Constantine. The standby bill which the staff was
22 thinking of, Senator Nelson's bill as he offered it in the
23 Committee, which was essentially the one you and Senator Talmadge
24 directed us to work up, it is something like that with a little
25 more equity in it which is what we thought would ultimately be

1 enacted and perhaps at a savings of not more than \$700 or \$800
2 million the first year.

3 These additional amounts, to bring you up to the \$1.5
4 billion or even in the absence of an overall hospital cost
5 containment proposal, a standby affecting all hospitals, there
6 are approaches which might approximate \$1.5 billion, if you
7 wanted to consider them.

8 You may want to do some of what we have recommended. You
9 may want to do none of them. You may want to do all of them.
10 We simply were trying to give the Committee alternatives.

11 Chairman Long. Mr. Heinz?

12 Senator Heinz. Mr. Chairman, Mr. Constantine propounded
13 a very interesting and apparently mutually exclusive choice to
14 the Committee.

15 We can either accept \$1.5 billion which he labels as
16 totally unrealistic or we can reduce it towards zero, minus
17 \$1.5 billion or zero and be labeled budget busters.

18 That is known as a no win proposition. We overpromise,
19 knowing that we should not on the one hand, we create an
20 unrealistic expectation, and on the other hand, apparently the
21 President has designed this proposal so that if we do try to
22 put some realism into it, the onus of telling people the truth
23 falls on us and not on him, for having made unrealistic
24 assumptions about the effectiveness, the timing or the
25 implementation of his legislation.

1 insurmountable chore, but we think conceivably we might manage
2 to get down to \$1.5 billion, that we think \$1.8 billion
3 absolutely cannot be done. We think that is beyond the pail.

4 We really do not see how the \$1.5 billion can be done but
5 for purposes of negotiation and talking, we are willing to think
6 in terms of \$1.5 billion. We have not tried it but we are here
7 to tell you right now we do not see how it can be done.

8 Mr. Constantine. Mr. Chairman, you have scheduled hearings
9 on the Medicare and Medicaid administrative and reimbursement
10 reform for the 13th and 14th and possibly the 15th of March,
11 with markup scheduled the following week.

12 At the end of that time, you should have a pretty good fix
13 on the Committee's sense of how much it wants to do and how much
14 it does not want to do in those areas and you can always modify
15 later on.

16 This \$1.5 billion is what we were simply suggesting to
17 protect the Committee. For working purposes, it can be assumed
18 without any approval of the President's hospital cost control
19 program. The alternative things in the budget buffet we set
20 up here could achieve that much and possibly more without the
21 President's hospital cost containment proposal.

22 You may not want to do any of those. We just did not know
23 what else to do.

24 Senator Roth. Would you reiterate what those things are
25 again?

1 Senator Roth. Why do we not just leave it in there as
2 \$1.5 billion as a nice conversation piece and fit it in later?

3 Mr. Constantine. Yes, sir. That is what we would suggest.

4 Chairman Long. Without objection, we will accept the
5 \$1.5 billion.

6 Senator Heinz. Mr. Chairman, down in Louisiana, they
7 probably have the same saying, do not buy a pig in a poke as
8 they do up in Pennsylvania. I am just wondering if we could not
9 get a cost analysis and justification? I think \$1.5 billion is
10 a lot of money.

11 It is not that I do not believe the staff but I would like
12 to find out just how these numbers are derived.

13 Chairman Long. I would hope if you do that, Mr. Constantine,
14 that you would offer two or three different ways it could be
15 arrived at. We have not had a chance to do justice to it. I
16 do not like to see someone on the Budget Committee try to lock
17 us in to any one of these scenarios when we might want to do
18 it a different way and I do not want them to come back at us and
19 say, you said you were going to do this and now you are breaking
20 your word.

21 Mr. Constantine. With a range of savings?

22 Chairman Long. Yes.

23 Senator Heinz. Mr. Chairman, what I was asking is a
24 different request, I think, namely that the cost saving estimates
25 from the proposals on page 54 could stand both enumeration and

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1 individual justification and perhaps that analysis has already
2 been done by the Congressional Budget Office or the Library of
3 Congress or some other competent and accurate estimating group.

4 The second question is, you were about to make a trial
5 motion that we accept the \$1.5 billion figure. When you say
6 that, I assume you mean the \$1.5 billion figure for the entire
7 function.

8 Is that correct?

9 Chairman Long. Correct.

10 Senator Heinz. If that is what you are proposing, I would
11 like to ascertain what the assumptions are for the other elements
12 in the President's proposal, such as his programs under Medicaid,
13 the child health insurance program, for example.

14 My understanding is if we approve a figure of \$1.5 billion
15 for the function, that means we would have to have hospital cost
16 savings in the nature of \$1.2 billion. Is that correct?

17 Mr. Stern. I thought you were talking about a net figure
18 of \$1.5 billion, Senator Heinz, which would mean if you wanted
19 to do a plus program of \$300 million, you would have to save
20 \$1.8 billion so you would arrive at a net figure of \$1.5 billion.

21 Perhaps what we could do is to take the items that are
22 described on page 54 plus any additional items and make a list
23 with the Fiscal Year 1980 impact of each one, which I believe
24 will come out to something more than \$2 billion, so you could
25 see how you might arrive at \$1.5 billion out of that package

1 without necessarily suggesting combinations of them but
2 something which is rather larger than that so you would not be
3 committing yourself to any particular item.

4 Senator Heinz. All right. Thank you, Mr. Chairman.

5 Chairman Long. Senator Chafee?

6 Senator Chafee. Mr. Chairman, are you saying we are not
7 committing ourselves to hospital cost containment but somehow
8 under health programs will it be that we are to come up with
9 \$1.5 billion in savings?

10 Chairman Long. We hope to come in with a savings of
11 \$1.5 billion in that area.'

12 Senator Chafee. In the health area?

13 Chairman Long. Yes, in the health area. There may be some
14 cost containment.

15 Senator Chafee. This will come out of this smorgasbord
16 they are talking about.

17 Mr. Stern. Mr. Chairman, I wanted to correct one error
18 before we go on. In item number six on the sugar program
19 where we said this would be offset by more than \$.3 billion
20 in loan repayments, the estimate, if there were a \$0.17 per
21 pound price of sugar is that would be offset by \$0.5 billion
22 in loan repayments so that the number you find over in the right
23 hand corner instead of being -\$0.2 billion as being the net
24 savings from enacting a sugar program of \$0.17 should be -\$0.4
25 billion.

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1 Chairman Long. You are assuming that we would pass the
 2 same bill that we put out the time before?
 3 Mr. Stern. That is correct. The blue book was based on
 4 the Finance Committee's \$0.17 price, if you look at page 56
 5 of the blue book. What we had forgotten to put on that chart is
 6 it is true there would be additional payments of \$0.1 billion;
 7 but there are also loan repayments of \$500 million where farmers
 8 would repay the loan and get the sugar back.

9 The net effect of enacting the \$0.17 program would actually
 10 be a negative expenditure of \$400 million. That would be better
 11 than the President's budget. It would be \$400 million more in
 12 savings than the President's budget.

13 Chairman Long. I do not know whether we can succeed in
 14 doing that. We reported out a \$0.17 bill last year. The cost
 15 of living has gone up since that time. If we would be justified
 16 in reporting a \$0.17 bill last time, we would be even more
 17 justified in putting out a \$0.17 bill this time.

18 The revenue pickup there, if that is what we are planning
 19 on doing or thinking in terms of doing, the revenue pickup
 20 there would be enough to cover the cost of the increase in the
 21 countercyclical revenue sharing.

22 Mr. Stern. You are referring to the extra \$200 million
 23 under Senator Danford's targeted revenue sharing proposal? Yes,
 24 sir.

25 Chairman Long. If we go to the figure they want on the

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1 targeted revenue sharing, Senator Danforth and Senator Moynihan,
2 we would need a couple of hundred million dollars of additional
3 revenue to cover that and that would provide the \$200 million
4 additional revenue.

5 Mr. Stern. That is correct.

6 Senator Dole. Mr. Stern, what if we knocked out direct
7 payments? Would that save some money?

8 Mr. Stern. That assumes there is \$0.1 billion in direct
9 payments. That does assume that you have 16.5¢ in the market
10 and half a cent in support payments.

11 Senator Dole. I doubt that is going to pass. That would
12 be about \$60 million.

13 Chairman Long. It passed the Senate that way on the
14 Conference Report. Basically to make an assumption, if we
15 assume the \$0.17, whether you do it by direct payment or
16 by payment as well as the other part of it, that gets you the
17 saving we are talking about here, does it not?

18 Mr. Constantine. That is correct.

19 Chairman Long. Where you make the revenue pickup, if I
20 understand it, is by making it possible for the farmers to take
21 this sugar out of loan, is that not right?

22 Mr. Constantine. That is correct, plus the increased
23 tariffs you would collect on imported sugar. Those two things
24 are your revenue gains.

25 Senator Dole. They want to reduce that tariff with the

1 Chairman Long. That is why I have been thinking that we
2 should make the payments to the workers. I like to help these
3 poor workers, the minorities and the blacks and the Chicanos
4 working out there in those fields. My heart goes out to those
5 people and if we can work it out so they get the benefit rather
6 than the guy that owns the mill, I think it would have a lot
7 more appeal to almost everybody.

8 Between now and the time we vote on it, I am going to try
9 to work it out that way. Anyone who wants to vote for it can
10 go back and report to those farm workers what he did for them.

11 I do not know why anyone wants to subsidize some rich men
12 if they can subsidize the poor. We might work out a more
13 attractive program between now and the time that comes to a vote.

14 If there is no objection, I would suggest we increase this
15 amount for the countercyclical on the plus side and then
16 increase the pickup under the sugar program. One would offset
17 the other.

18 Mr. Stern. That is correct.

19 Chairman Long. Without objection, we will agree to that.

20 Mr. Stern. That concludes what you have done on outlays,
21 Mr. Chairman. I think that brings you in pretty close balance
22 to the President on the outlay side. You wind up with a net
23 savings of something pretty close to the \$1.8 billion in the
24 President's budget.

25 Chairman Long. We are close to the \$1.8 billion?

1 Mr. Stern. The President's budget in new legislation
2 affecting Finance Committee areas has a net savings of \$1.8
3 billion when all of those programs are taken into account. I
4 think you have come very close to that.

5 Chairman Long. I would like to suggest on the revenue
6 reduction side, that since we did not quite make the President's
7 figure, we reduce what we expect to reduce taxes by, by whatever
8 the shortfall is so the two balance out.

9 My thought in that regard is only the Almighty could hope
10 to foresee what our figure is going to be on revenue reduction.

11 If I were trying to figure out how I would like to have the
12 revenue reductions, the way I would do it would not be the same
13 as any other Senator on the Committee. I think if Senator Dole
14 wanted to propose it, he would do it different from any other
15 Senator on the Committee. Senator Roth might have enough votes
16 to support his view right now.

17 In any event, I think every member of this Committee has
18 enough imagination to figure out some way that his program could
19 be put into effect within \$1.8 billion. I know right off if
20 he did that he would probably have to knock out the real wage
21 insurance, to drastically cut that and he would have to make
22 some changes in how he would do business.

23 I have witnessed the resourcefulness and the competence
24 of Senators on this Committee when they have something they want
25 to do to make it fit the budget. I do not see why they cannot

1 do it this time.

2 Senator Roth is the most ambitious tax cutter as far as I
3 know. All he wants to do is cut taxes by about one-third and
4 I do not know of anyone on the Committee that is trying to cut
5 it by more than one-third.

6 Do you think you could find a way to live with the first
7 year cost of \$1.8 billion, Senator Roth, if we do it your way?

8 Senator Roth. Mr. Chairman, one of the things which
9 concerns me about this whole process is we have something like
10 \$2 billion for outlay of real wage insurance plus \$1.8 billion
11 affecting revenues, and the thing that concerns me is if we were
12 to adopt that program and I question its advisability but I
13 think to be realistic, the chances are it is going to cost a
14 lot more than that during Fiscal Year 1980.

15 It could well cost as much as \$10 to \$15 billion.

16 What some of us are concerned about is that in a sense,
17 we are merely what I would say tinkering with what the President
18 is proposing. We are buying his budget, what he is proposing
19 to do, changing a few things here and there. In fact, many of
20 us feel we really have to strike out in a very significantly
21 different direction than what the Administration has proposed.

22 You are right. I do intend to propose what we call Roth
23 Kemp II. I would like to propose that we retain the flexibility
24 of \$1 billion something to really get this country moving in a
25 different direction.

1 What I would like to really propose is the Finance Committee
2 recommend a revenue level less of \$11 billion than the level
3 proposed in the President's budget and at the same time, urge
4 the Budget Committee to reduce the growth rate of federal
5 spending by an equivalent amount.

6 This would permit us to make a very significant ten percent
7 across the board tax cut or some other alternative if that is
8 in the mind of the Committee.

9 If we buy just \$1.8 billion as suggested, that means we
10 would have to delay any proposed tax cut, if there were a
11 significant one, to late in Fiscal Year 1980.

12 Would that not be correct?

13 Chairman Long. Would you repeat that? I am not sure I
14 get the point.

15 Senator Roth. If I understood your original question, you
16 wanted us to retain the \$1.8 billion loss in revenue.

17 Chairman Long. That is what I am suggesting. I am just
18 suggesting we take the figure and say that could be used for
19 tax cuts of any nature. For example, if we are under the second
20 budget resolution at which point we are held to it and we vote
21 out something or pass something to cut taxes by \$1.8 billion,
22 if we would then report out real wage insurance, it would be
23 subject to point of order and bust the budget.

24 If you pass the real wage insurance first and you try to
25 pass something else, that would bust the budget.

1 Senator Roth. One of the things that really bothers me
2 about the wage insurance if it is adopted, it is not going to
3 cost \$2.5 by the best estimates today, is that not correct?

4 Mr. Wetzler. To estimate real wage insurance, first you
5 have to estimate how many people qualify and then you have to
6 estimate what the inflation rate is going to be, because this
7 gives the people a tax credit equal to the difference between
8 the inflation rate and seven percent.

9 The Administration has estimated there will be enough
10 people who will qualify so that the cost of real wage insurance
11 will be about \$5 billion for each percentage point of inflation.
12 They are estimating 7.5 percent inflation so the cost would be
13 \$2.5 billion.

14 We think the Administration has overstated the number of
15 people who will qualify and we think the cost would be about
16 \$3.8 billion per point of inflation. However, we think there
17 will be quite a bit more inflation than the Administration
18 estimates.

19 Yesterday, Data Resources, Inc., one of the leading
20 economic forecasters, came up with their inflation forecast
21 and that is 8.6 percent.

22 If you had an 8.6 percent inflation rate, and using our
23 estimate of the number of people who would qualify, the cost of
24 real wage insurance would be about \$6 billion.

25 The number in the chart uses the staff estimate of the

1 number of people who would qualify and the Administration's
2 estimate of the inflation rate on the grounds that the Committee
3 in looking at the budget has so far accepted the Administration's
4 economic assumptions and the Budget Committee is going to make
5 its own economic assumptions any way, regardless of what the
6 Committee does, if they want to assume a higher inflation rate,
7 they will have to give us more money if they expect us to enact
8 real wage insurance.

9 Senator Roth. I just want to make the observation that it
10 is very speculative as to what the cost of this program would be.
11 I think the Administration is proposing you are going to cut off
12 this assistance at \$20,000. Is that not correct?

13 Mr. Wetzler. Yes, \$20,000 for each job a taxpayer has
14 during the year.

15 Senator Roth. I suspect if we were ever to sit down
16 seriously and consider this proposal, it would be a lot higher
17 than \$20,000.

18 The only point I want to make, Mr. Chairman, as far as the
19 President's insurance program, which I do not happen to think
20 is well conceived, it could easily cost \$10 to \$15 billion in
21 the final analysis.

22 Chairman Long. Let's compromise on \$10 billion. That
23 proves your point. I will stipulate to that, it could easily
24 cost \$10 billion.

25 Senator Roth. What I am saying is recognizing that program

1 could cost as much as \$10 billion, what I would like us to do,
2 for the Finance Committee to do, is to recommend a revenue level
3 of \$11 billion less than what the President has proposed and at
4 the same time, urge the Budget Committee to reduce the gross
5 rate of federal spending by an equivalent amount.

6 I think this approach does a number of things. Number
7 one, from the point of view of the Administration, if the
8 Congress wants to enact that into law, it gives us a realistic
9 figure as to what it might cost and it enables us to act in
10 good faith on that particular proposal.

11 Others of us feel we really have to reduce very
12 substantially the tax drag on the working people. I would like
13 to point out taxes are going up very substantially in 1980
14 despite the tax cut we enacted last year. In 1980, there is
15 going to be a tax increase, inflation increase of \$8 billion,
16 social security of \$11 billion. That is a total of \$19 billion.
17 In 1981, it is going to be \$19 billion for inflation, \$17 billion
18 for social security for a total of \$36 billion.

19 I think it is not fair to try to balance the budget on
20 the backs of the working people of America and essentially that
21 is what we are doing here if we go the direction the President
22 is proposing.

23 I think the people have made it pretty clear that they
24 want a slow down in the rate of growth of federal spending. As
25 I said, some number of us, both Democrats and Republicans, have

1 taken the position that the spending side can be cut an
2 additional \$10 to \$11 billion and in doing so, we ought to also
3 reduce the tax drag.

4 Frankly, our productivity is the lowest of any of the
5 Western countries. Our savings rate is the lowest of any
6 country.

7 I think we ought to maintain the flexibility for this
8 Committee, to give serious thought of taking a sizable step
9 of doing something about savings, productivity, about capital
10 formation.

11 For that reason, I would urge instead of accepting the
12 figure of the Administration, that we provide the means whereby
13 a substantial tax cut could be permitted by this Committee this
14 year.

15 Chairman Long. How much of the federal spending slides
16 through this Committee? How much of it do we handle?

17 Mr. Stern. I believe it is about 40 percent, Mr. Chairman.

18 Chairman Long. In other words, if you take the social
19 security and the unemployment insurance and the Medicare and
20 Medicaid health programs --

21 Mr. Stern. If you throw in revenue sharing and interest
22 on the debt, it may be more than that.

23 Chairman Long. We have about 40 percent of it to say
24 grace over. I am voting here to say we can live with our part
25 of the budget on the spending items and we can work it out

1 and live with our 40 percent.

2 When you move over to the other 60 percent, that is a part
3 that we do not have jurisdiction over.

4 Mr. Stern. Perhaps 50 percent, Mr. Chairman.

5 Chairman Long. If we have 50 percent of it, it comes right
6 past this Committee. If I am voting to say as I am voting and
7 I would expect to vote, we will live within our part, you take
8 this item on health programs, that will be very difficult to
9 do and we think the savings we are talking about there is
10 unrealistic but we will try it and see what we can do.

11 We can then say, on our part, the \$1.9 billion is what we
12 can live with. You go and take the other 50 percent and you
13 say, you other people, you spendthrifts, you people ought to
14 cut it by \$11 billion.

15 I can see them pointing the finger back and saying, you
16 are another one. You say you can live with this \$29 billion
17 deficit and it is hard to do but you are going to live with it
18 but you are telling us we have to stay within the budget.

19 The Armed Services people say we do not have near enough
20 money for national defense the way it is now. Our part of it
21 is too low the way it is now.

22 I think that type of thing is something where one committee
23 sort of comes with poor grace to point the finger at another
24 one. It is all right with me to get out there on the Floor
25 where presumably every Senator is the same no matter what

1 committee he serves on, he can get out there and say the budget
2 is too big, cut the whole thing by \$11 billion.

3 I do not like for us as a committee to try to tell these
4 other committees when we have not seen how they arrived at their
5 figures, that their figures are too high.

6 Senator Nelson. Mr. Chairman, I do not know why we are
7 wasting our time here any way. Yesterday we had the chance to
8 cut general revenue sharing by \$2.1 billion. Senator Roth who is
9 for cutting it \$11 billion, was against that.

10 Senator Roth. That is not correct.

11 Senator Nelson. Are you for that?

12 Senator Roth. I told the Chairman at that meeting that I
13 was not ready to vote on it. I would be very willing to consider
14 such a proposal. I would be very willing to consider doing away
15 with revenue sharing or some substitute.

16 I mentioned a number of the governors have proposed we
17 could make some substantial savings and consolidate in other
18 government programs. I would like to consider that as an
19 alternative before I make any final decision on revenue sharing.
20 Revenue sharing does have the advantage of bringing funds into
21 the state at a minimum cost. We have less people administering
22 the revenue sharing than other programs.

23 As I said then, I was not ready to vote for that reason but
24 I would be willing to consider very carefully elimination of
25 revenue sharing and countercyclical funds, which I oppose, as a

1 means of providing the tax relief that I think the American
2 people deserve.

3 What bothers me is we keep pointing out why these things
4 cannot be done. I might point out it is my recollection that in
5 the past, the Budget Committee has not hesitated to ask us to
6 raise additional revenue for greater spending without spelling
7 out for what purpose.

8 I see nothing wrong with this Committee urging the Budget
9 Committee in turn to try to find ways and means of saving funds.

10 In answer to you, I can see where savings could be made
11 and perhaps revenue sharing is one of the areas we should give
12 careful consideration to taking steps, if we cannot find some
13 other alternatives, which I think we can as a practical matter.

14 Senator Nelson. Everybody says let's cut. Senator Roth
15 wants to cut \$11 billion. Let's give it to that nice old
16 statesman Muskie, let him name the places to cut it. When we
17 have something to cut here, nobody wants to cut it.

18 I happen to agree with you. We have 50 percent of it. I
19 am prepared to go for \$2.1 billion to cut out the states, cut
20 out the countercyclical. We have a good \$3 billion start.

21 I think to say let's tell the Budget Committee to cut that
22 \$11 billion, that is like these amendments on the Floor. We will
23 take three percent across the board and somebody says, we are
24 going to take that out of waste. Let's name the programs.
25 Nobody wants to name them, including Senator Roth.

1 Senator Roth. If the Senator from Wisconsin will support
2 my resolution, I will be perfectly willing to suggest we delete
3 the revenue sharing and the countercyclical target.

4 Chairman Long. Gentlemen, let me try to urge both Senators
5 to think about this. What Senator Roth would like to do falls
6 strictly within the jurisdiction of the Budget Committee. It
7 does not fall within the jurisdiction of the Finance Committee.

8 In other words, the Budget Committee, if it wants to
9 recommend a balanced budget, it has the function of doing so.
10 All the Finance Committee can do is talk about the items that
11 we have before us.

12 As far as I am concerned, they can do whatever they want to
13 do about it, recommend out any figures that they want to live
14 with and then we can work it out on the Floor whatever we hope
15 to do about the budget resolution.

16 I do not want to be in the position as a committee chairman
17 to try to tell that Budget Committee what to do with the other
18 committees' recommendations. They can do whatever they want to
19 do.

20 Senator Dole. I am not certain I disagree with that. As
21 long as we are clear that we are not being bound just to look
22 at the seven or eight things we have listed here, we may decide
23 to cut something else in two months and maybe not touch what the
24 President recommended.

25 We are not locking ourselves in, are we?

1 Mr. Stern. You will be supplying numbers for different
2 categories. There are not too many categories in the Finance
3 Committee's jurisdictions. One is income security and another
4 is health and another is social services and revenue sharing.
5 There is one line called revenues.

6 Whatever number you arrive at, whether it is \$1.9 billion
7 or \$10 billion, you can do anything you want to do in the revenue
8 area.

9 Senator Dole. Even the new legislation affecting outlay,
10 that is the only point I want to make, by approving whatever
11 we have on this piece of paper, we are not locking ourselves in
12 to just addressing those particular programs, are we?

13 Mr. Stern. You can always cut below.

14 Senator Dole. I am talking about cutting something else
15 or add something else. Otherwise, we are just working for the
16 Budget Committee.

17 Mr. Stern. Your problem would really be only on the
18 adding side, I would think. The Budget Committee has never
19 objected to any committee coming up with savings that had not
20 been anticipated before. The question would be whether you report
21 out some legislation which seems to be in excess of anything you
22 were planning to do before.

23 Senator Dole. Let's say we decided to some modest roll back,
24 to reduce the wage base social security and roll back the rate
25 to maybe 6.13 to 6.05. We cannot do that because we have already

1 passed this and that is not on the list anywhere?

2 Mr. Stern. You literally can do that in the sense that
3 whatever number you come up with, it will be a target. If the
4 proposal is rather more expensive than the number you come up
5 with for new legislation for revenues, for example, say for the
6 sake of argument you agreed to a number of \$5 billion in
7 revenue cuts and that is the amount that is included in the first
8 budget resolution. If you then approve a proposal that would
9 lose \$7 billion, the Budget Committee will probably take the
10 position that you have exceeded the budget.

11 If you come up with some combination of a \$7 billion cut
12 and \$2 billion worth of increases, you would be living within the
13 budget.

14 They have tended to monitor things on the basis of what
15 has been included in the first budget resolution. You just have
16 one number for new revenues, whatever the number you pick, this
17 Committee has argued and won on the Senate Floor on the point
18 that is only one overall number and however you achieve it is
19 all right.

20 Senator Chafee. Mr. Chairman, looking at the other side of
21 the coin, if we do not have in here some program, for instance,
22 in connection with accelerated depreciation, resulting in a loss
23 of revenue, if that is not included in some way here, are we
24 then going to be estopped on the floor with the Chairman of the
25 Budget Committee saying that exceeds the budget, we had our shot

1 at it in this Finance Committee and it did not include that,
2 thus, we are budget busters and the entire Budget Committee would
3 be opposed to our action?

4 Mr. Stern. The Committee has been very meticulous in the
5 past in insisting whatever decisions you arrive at now, they
6 are only budgetary decisions, not legislative decisions.

7 If you agree on a number today on the basis that you want
8 to accommodate real wage insurance but you decide in two weeks
9 that is not what you want to do, you want to do something
10 completely different, you have made no legislative commitment.
11 You have made a commitment to live within a certain budgetary
12 number.

13 At one point a couple of years ago when the Budget Committee
14 disagreed with that interpretation, the interpretation was fought
15 out on the Senate Floor and the Senate agreed with the Finance
16 Committee position that there is one number for new legislation
17 and however it is arrived at substantively, it does not matter.
18 The only binding commitment is to a budgetary number.

19 If the Committee agreed to a particular number on the
20 assumption you were going to approve real wage insurance but
21 in fact instead wanted to do accelerated depreciation, you could
22 do it as long as the total cost of the bill stayed within the
23 amount you had agreed upon.

24 Senator Baucus. I am a little confused. As I understand
25 it, assuming we wanted to pass accelerated depreciation and made

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1 no other legislative change so the revenues would be lower than
2 the figure we agreed to here, assuming that legislation comes
3 up subsequent to the first concurrent resolution but prior to
4 the second concurrent budget resolution, does the point of order
5 lie against --

6 Mr. Stern. There is no point of order. The Budget
7 Committee has simply come out substantively and said this is not
8 accommodated within the budget that the Senate agreed to.

9 This Committee has not done that. This Committee has not
10 exceeded the first budget resolution.

11 Chairman Long. If we were going to try to reduce the
12 deficit by \$11 billion and I assume that is the figure you
13 are thinking about, Senator Roth, is that correct?

14 Senator Roth. Yes, sir.

15 Chairman Long. If we are going to try to reduce the deficit
16 by \$11 billion on the outlay side, the 50 percent of this budget
17 that does not pass by the Finance Committee in one fashion or
18 the other, I want to ask Mr. Wetzler how much of that is national
19 defense.

20 Mr. Stern. In fiscal 1980, the President's budget has
21 \$126 billion out of a total of \$532 billion which is about
22 24 percent.

23 Chairman Long. I believe most people feel, I know I do,
24 the cut on defense spending, particularly the cut in terms of
25 staying modern with weaponry, is such that we really cannot cut

1 on that any more. All of our European allies are saying if we
2 cut national defense any further, we are not living up to our
3 commitment as an allie, to maintain our part of the defense
4 establishment with the free world.

5 If you take that out and in terms of the areas that are
6 there to be cut, we ought to be expected to take two-thirds of
7 it right here.

8 Senator Roth. Mr. Chairman, if you would yield on that
9 point.

10 Chairman Long. Yes.

11 Senator Roth. I do not really think that is a fair
12 analysis. We all know there is nothing you can do about
13 interest. I suppose in one sense there is very little you can
14 do about entitlement, which makes up the major portion of what
15 goes through this Committee.

16 At the same time, I think it is important to point out that
17 there are many, including a number of members on the Budget
18 Committee itself, who think the budget can be cut an additional
19 \$7.5 billion.

20 We can say we want to continue along the same direction we
21 are going and that is what we do in effect by tinkering with
22 the President's proposal. A number of us feel that something
23 has to be done to increase the productivity of this country.

24 The way we are going, probably what will happen this Fall
25 is the same people who are opposing what I am suggesting are

1 going to come out with a lot more federal spending, particularly
2 if the recession takes place which some economists are predicting.

3 There has to be some way, some practical means of at least
4 having alternative proposals considered. One of the problems
5 is if we go the route of what the Chairman is proposing, when
6 it comes to the Senate Floor, then the Budget Committee and
7 the leadership takes the very strong position that in no way
8 can we deviate from what the Budget Committee has proposed.
9 That has been the case in the past. I think the Chairman will
10 agree with me.

11 There has been no real debate, no real alternatives offered.
12 You either accept what the Budget Committee says and it is ran
13 through, and as a practical matter, even though there is no
14 point of order, it is very difficult if not impossible, to get
15 alternative thoughts up.

16 As I say, there are many people here on the Committee and
17 I know a number of us have written in answer to Senator Nelson's
18 statement earlier, to the Budget Committee and asked for
19 permission to go over and discuss the budget and point out at
20 such time where I think savings can be made. I know a number
21 of others have done the same thing.

22 Henry Bellman, the ranking member, has publicly said he
23 feels at least another \$7 or \$8 billion can be saved.

24 It is not impractical. Governor Brown, prior to Proposition
25 13, said it could not be done and now he not only applauds what

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Administration's proposal and we are not going to make the changes that I think are necessary to get this country off in the right direction.

Senator Heinz. Mr. Chairman, there are some items that I would hope the Committee would give serious consideration to including here.

These relate to a series of proposals to help small business people. I think we all know that our small business people, notwithstanding some efforts we made over the past, still have enormous trouble raising money. We all know the capital markets are for all intents, closed to them. The interest rates are astronomical. The stock market is still not very good. The corporate taxes were not cut significantly last year. Capital formation remains a problem. Productivity remains a serious problem, particularly for our small business people.

There is a small business package that I put together. If it were all implemented during fiscal 1980, its total cost would be, depending on one choice that we made, it would be either \$299 million or \$399 million.

The elements are first a three year depreciation for \$100,000 worth of depreciable assets; second, establishing instead of a \$100,000 top graduated bracket, \$150,000 to \$100,000 bracket for small business where the rate would be 45 percent in 1980 and go down to 42 percent by 1982; third, allowing in a very strict way, the carry over of the basis for

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1 certain small businesses when it has reinvested in another small
 2 business, limited to a once in a lifetime situation so we
 3 encourage our entrepreneurs who see another opportunity to move
 4 into that opportunity and not simply sell out to the highest
 5 bidder and go to Nassau and the casinos in Atlantic City.

6 Fourthly, a proposal I have for product liability self
 7 insurance. I do not wish to take up all the Committee's time
 8 getting into these.

9 On the cost, if the three year depreciation for the first
 10 \$100,000 were enacted, without allowing Section 179 to apply
 11 to it, that would have a cost of \$100 million. Establishing the
 12 \$150,000 bracket would have an annual cost of \$22 million.
 13 The carry over base is \$30 million and product reliability self
 14 insurance is \$40 million.

15 These are a very modest set of proposals which I feel
 16 certain we would want to think about carefully accommodating here.
 17 Chairman Long. All those things could be worked into the
 18 figure that we have here, if you just think in terms of the
 19 alternatives. Furthermore, there is nothing which prevents the
 20 Committee from raising some money, by putting a tax on something.

21 Senator Heinz. I was thinking of raising countervailing
 22 duties.
 23 Chairman Long. There are all kind of ways. If all I had
 24 to do was to work this thing out with the Senator from
 25 Pennsylvania, we could get together on some things we would like

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1 to do so fast that I would say between now and tomorrow morning,
2 we could figure out a couple of billion dollars that we would
3 like to cut taxes and find a way to raise some offsetting
4 revenues to do it.

5 Unfortunately, we have to try to come to terms with 18
6 other Senators on the Committee and they all have some ambitious
7 ideas when some money is available.

8 I think we should say these are items that can all be
9 considered within the context of what we have here. There is
10 nothing that would prevent us from having a further tax cut,
11 provided that we pay for it.

12 Mr. Wetzler. Mr. Chairman, the Administration's budget
13 includes \$400 million of tax increases in miscellaneous areas.
14 They have an increase in the fuel tax on general aviation
15 which is \$100 million. They have an increase in the payroll
16 tax, the railroad retirement fund, which is \$200 million. They
17 have a fee on oil imports which is designed to fund pollution
18 control.

19 In our write-up, we assume the Committee would not want to
20 commit itself to do those things in its overall total but they
21 will be before you and you can if you want to act on them and
22 offset them with other sorts of tax cuts.

23 Chairman Long. I do not think we at this point would
24 be wise to try to commit ourselves to precisely how we hope
25 to reduce taxes. In other words, there would be \$1.8 billion

1 overall tax cut that would be in the ballpark. Maybe in the
2 course of that we could find, if we needed to, some way to raise
3 some revenue.

4 Mr. Stern. Mr. Chairman, we would suggest \$1.9 billion
5 just to make an allowance as you have in the past of \$100 million
6 for minor revenue and tariff measures.

7 Chairman Long. If you are going to come up with \$1.9
8 billion, I would like to see us balance it off on the savings
9 over here.

10 You say it is about \$1.8 billion on the other side?

11 Mr. Stern. Perhaps the way to do it is to say that you
12 would wind up with the revenue figure that you need to be in
13 exactly the same position to arrive at a \$29 billion deficit.

14 I think you are not more than \$100 million off on the
15 spending.

16 Chairman Long. I suggest that we level the two of them
17 off and the place where you can level it off is in this very
18 big item on number one, where you have all the social welfare
19 programs. Does the unemployment insurance program fall within
20 that?

21 Mr. Stern. Yes, sir.

22 Chairman Long. I think in that big item is where you can
23 squeeze it.

24 Senator Moynihan. Mr. Chairman, I have sit patiently here
25 and with regard to that one big item, social security benefits

1 and welfare programs, we chose really to take the money out of
2 the welfare programs. With all that talk about welfare reform
3 last year, we know the Administration is abandoning us.

4 I am chairman of that subcommittee and I am not going to
5 abandon those children. We are proposing we increase the
6 amount of money to squeeze out of children and poor women. We
7 are going to save more money by feeding them less.

8 There is a certain law of porportionality in these things.
9 Social security tax benefits are about \$117 billion, is that
10 correct?

11 Mr. Stern. Yes, sir.

12 Senator Moynihan. It is about \$117 billion. AFDC
13 payments are a derisory sum by comparison.

14 The idea of taking all our savings out of AFDC, I just
15 do not think we quite see the disproportionate, what is social
16 security?

17 Chairman Long. I do not agree with that. Let me give you
18 an example of what I would do to save it. I can give you an
19 example of a person who takes an annual holiday once a year
20 on the unemployment insurance money. It seems to me that at
21 some point we should say after we have staked you to about three
22 annual holidays, the three annual safaries down to Florida to
23 go down and enjoy yourself and draw the unemployment insurance
24 money or to enjoy the hunting season away from the job, that
25 you are no longer an insurable risk until you work for the

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1 Senator Moynihan. Mr. Chairman, I have no problem with
2 what you said but I do say every time we make an economy in this
3 government lately, it is in the amount of money we provide to
4 feed children and I do not like that.

5 Chairman Long. Senator, you do not have any problem with
6 the Chairman of the Committee on that. If you recall, you had
7 your bill out there and unfortunately, it did not pass last
8 year. One of the soldiers trying to rally the troops for you
9 was the Senator you are looking at.

10 Senator Moynihan. The very same. Not everybody has a
11 general in the ranks; we did.

12 Chairman Long. I thoroughly sympathize with your position.
13 I would like to point out we have the potential and we ought to
14 bite the bullet on some of these things.

15 Senator Boren, for example, expressed an interest in
16 unemployment insurance because he really feels somebody ought to
17 bite the bullet in that area and say some of these ripoffs should
18 be brought to an end. If we do that, we can stay within that
19 figure.

20 No one is more sympathetic than I am to what you are saying
21 that where the general need exists, it ought to be taken care
22 of, even if it means an increase.

23 With that understanding, I would like to urge that we
24 simply round the figures off to where we are asking for the
25 same amount on one end that we are asking for on the other.

1 When we come to that second budget resolution, we will know
 2 a lot better where we stand. I would hope we could all work
 3 together to do just the kind of thing Senator Moynihan wants
 4 to do, where there is genuine need, we help those people. I am
 5 all for that. I think the majority of the Committee feels that
 6 way.

7 Senator Dole. I just wanted to follow up after Senator
 8 Moynihan. We have been dealing with the same problem earlier
 9 this morning in the nutrition subcommittee. We have had to
 10 reduce by about \$400 million summer feeding programs, special
 11 milk programs, school lunch programs. We are not going to go
 12 along with everything the Administration recommends.

13 It is difficult to even find in those of those programs,
 14 summer feeding program, for example, some abuses. I sympathize
 15 with what you are saying.

16 Senator Moynihan. Thank you, Mr. Dole.

17 Senator Roth. Mr. Chairman, I do want to proceed with
 18 my proposal that we provide for a substantial tax cut at the
 19 proper time and I do not know whether that is now or whether
 20 I should wait until a later period, whatever is your convenience.

21 Chairman Long. You want a substantial tax cut and you
 22 want to find a way to reduce government spending enough to
 23 accommodate the tax cut?

24 Senator Roth. Mr. Chairman, because of the objections
 25 you have raised to our proposing to the Budget Committee that

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1 they find an additional \$10 billion tax cut, I will not make
2 that recommendation.

3 I would point out a number of us have made that proposal,
4 both Democrats and Republicans, to the Budget Committee that
5 it is possible to cut the budget an additional \$10 billion
6 beyond what the President has proposed.

7 I will not argue the merits or demerits of that, but that
8 is a basic proposal of mine which I shall proceed in due time
9 to present before the Budget Committee itself.

10 I am concerned that we do have the opportunity to consider
11 alternatives. I think that is the whole purpose of the budgetary
12 procedure, not merely to echo in some modification what the
13 President or the Administration and I really do not care whether
14 it is a Republican or a Democrat that has proposed it, Congress
15 is the policy-making body.

16 It seems to me we have a responsibility particularly now
17 of trying to develop a program or a policy that is going to get
18 this country to increase its productivity, to grow without
19 inflation and as far as I am concerned, I do not see any
20 significant change in what the President is proposing. It is
21 really a little less of the same. That is not going to get this
22 country out of the quagmire that it is now caught in.

23 Number one, I think it is important to recognize that
24 the American people, the working people and nobody seems to be
25 too concerned about them, but they are facing a significant tax

1 I regret that there is no way of considering the whole
2 package here together. If I follow your advice and do not ask
3 for a vote on this today and go to the Senate Floor, then I am
4 faced with the very realistic answer that the leadership of the
5 Budget Committee and the general leadership that we do not
6 want to deviate from the Budget Committee but we want you to
7 accept it on a up and down vote and I think that is a failure
8 of the legislative process.

9 Senator Dole. Would that include some variation like tax
10 indexing?

11 Senator Roth. That is a very good point. At this stage,
12 all we are providing is the means, the flexibility of
13 considering various proposals to get the economy moving upward.

14 Senator Dole. It would be the Roth-Long proposal.

15 Senator Roth. Absolutely, or the Long-Dole proposal.

16 The economy is not moving in a sound direction. I do not
17 see any economists as being very optimistic about what is going
18 to happen. I think it is our responsibility at this time to
19 maintain a position where we can do what is necessary.

20 Chairman Long. If we do that, that will be increasing the
21 deficit by another \$10 billion, would it not? If you do it
22 that way, that would move the deficit up to \$39 billion.

23 Senator Roth. Mr. Chairman, the figures we have before
24 us are phony. We all know that figure of the Administration
25 on wage insurance is not correct. I think we should up that

1 figure to \$10 billion just to seriously consider the President's
2 proposal.

3 Unfortunately, I have to agree with you. Nobody knows
4 exactly what that will cost. I think there is general agreement
5 that a quarter of a billion dollars is very low. I doubt very
6 seriously if we move that direction that we would cut it off
7 at \$20,000.

8 Are we saying the people who make \$21,000, \$22,000 are so
9 well to do today that they are not having problems?

10 Mr. Wetzler. Senator Roth, the President's proposal
11 gives it to everybody on the first \$20,000 of wages. Somebody
12 with \$21,000 would just not get insured for the \$1,000.

13 Senator Roth. I still question whether that would be
14 satisfactory.

15 Senator Dole. It does not give it to all wage earners,
16 does it, not to all workers?

17 Senator Roth. There is no point in getting into a debate
18 on that.

19 I am saying there have been many economists saying it
20 costs as much as \$15 billion. It is a guess at best.

21 Chairman Long. You want to add another \$10 billion for
22 tax cuts? That is what it amounts to.

23 Senator Roth. Yes. I want to make very clear, Mr. Chairman,
24 in yielding to your request that we not give directions on the
25 spending side, that the record should be very clear that many of

1 us have proposed to the Budget Committee, have asked for
2 permission to appear before them and a number of the members
3 of the Budget Committee themselves see additional savings can
4 be made of upward \$7.5 billion and higher.

5 We are not proposing a \$10 billion deficit. That would not
6 be accurate. It would not reflect what we are trying to do.

7 We are trying to lower further the growth of federal
8 spending over what the President proposed and at the same time,
9 give this Committee the opportunity to propose tax cuts of
10 significance that could help the economy in moving up.

11 Senator Nelson. Where are we going to make the cuts?

12 Senator Roth. As I said to the Senator from Wisconsin,
13 we have requested permission to go before the Budget Committee
14 to do just that. I am very willing, in the two areas you
15 talked about, give serious consideration to what we do with
16 revenue sharing or some alternative.

17 Since that is a matter for the Budget Committee, I hope
18 to be able to appear before them to spell that out.

19 Chairman Long. I would anticipate that the point will come
20 when you will move to recommit with instructions, recognizing
21 your point of view, that the way to achieve it would be to
22 recommit the budget resolution with instructions to reduce
23 spending by \$10 billion and to reduce taxes by a further
24 \$10 billion.

25 I assume that is the kind of thing you would be suggesting

1 which should apply to all committees. If that were the case, I
2 would assume they would then ask each committee or say we
3 urge the burden be shared thus and so and we would suggest you
4 make your recommendations based on taking your share of the cut.

5 Senator Roth. Mr. Chairman, I have great respect for what
6 you are saying but since the only realistic means you have of
7 accomplishing what I want to do is through the Committee, I
8 would recommend and ask for a vote that the revenue side be
9 cut by \$10 billion for the reason I have already set forth.

10 That does not commit either the Committee or the individual
11 to any particular package but it does provide the means that we
12 can intelligently consider tax cuts as a means of getting economy
13 to grow again. It may be the final analysis will be this
14 Committee and the Congress will want to adopt the President's
15 proposal which I think you agreed earlier could very well cost
16 \$10 billion or it could be some other proposal such as my own.

17 I think we should have the opportunity to vote on this
18 proposal.

19 Chairman Long. Senator Boren?

20 Senator Boren. Mr. Chairman, I just wanted to ask a
21 question. All the discussion so far has really centered around
22 the program aspects that we might be cutting. In other words,
23 direct payments to individuals and so on.

24 What percentage of the cost of the programs which we deal
25 with in this Committee is administrative costs, either payroll,

1 travel, other kinds of ancillary administrative costs?

2 I wonder if staff has any idea of what that total figure
3 might be.

4 Mr. Stern. Almost all of it is program costs by which I
5 mean certainly well over 95 percent of it is actual benefit
6 payments to social security recipients or the welfare payments
7 to families or the unemployment benefits themselves. I would
8 almost guess that it is not more than five percent.

9 Senator Boren. Would that be a higher figure in the total
10 federal budget?

11 Mr. Stern. Yes.

12 Senator Boren. You get into the regulatory field and so on.

13 Chairman Long. I do not want to sit here and vote to cut
14 the kind of things Senator Moynihan was talking about, cut the
15 payments to the poor and cut the payments to the little children
16 and cut the payments to the old people on Medicaid and cut the
17 payments on Medicare.

18 There are so many things I could cut. For example, in
19 the unemployment insurance area, I know we should be making some
20 reduction but I would not want to have to pick the figure as to
21 how much we could make and try to specify how.

22 I do not want to sit here and vote for all of these things,
23 much of which I know the Senate would not buy if we did, unless
24 that is part of an overall program where the Senate agrees it
25 wants to cut spending by some given figure and cut taxes by some

1 given figure.

2 Senator Roth says the Senate will not do business that way.
3 He is the first man to know that is not entirely true. I have
4 voted with him. He has defeated the Budget Committee out there
5 on the Floor. He has the best record of defeating the Budget
6 Committee of anyone I know in the Senate. He beat them on his
7 aid to students. He has given the Budget Committee a bad time
8 out there.

9 I cannot say what his batting average is but if he is not
10 batting 500, I am a monkey's uncle.

11 He is doing very well in making his views prevail over the
12 Budget Committee on the Floor. Between Senator Roth and Senator
13 Byrd and others, when we have the whole thing before us, I think
14 everybody ought to let their conscience be their guide.

15 All we are talking about right now is our part of this
16 program.

17 Senator Dole. Are we going to vote on his motion?

18 Chairman Long. Yes. I want to explain my position. As far
19 as I am concerned, I would be delighted to cut taxes by \$10
20 billion, make it \$30 billion.

21 Senator Moynihan?

22 Senator Moynihan. Mr. Chairman, I would like to go on record
23 before this vote as hoping everybody will understand I am one of
24 those legislators who is against all taxes and for all programs.
25 You can depend on me for consistency in this matter. Any time

1 there is a tax cut, I am for it, and any time there is a program
2 increase, I am for that. It is an unusual position in American
3 life but you have to be some eccentric.

4 Senator Nelson. Mr. Chairman, I think we should vote on
5 the cuts.

6 Senator Moynihan. Mr. Chairman, what have I heard! Cuts?

7 Chairman Long. On the tax cuts?

8 Senator Nelson. Yes. Let's find out where the \$11 billion
9 is that we are going to cut. I think we should have the staff
10 come up with all the programs and lay them down. I want to see
11 Senator Roth vote for that \$11 billion. I want to see this
12 Committee that is prepared to vote for \$11 billion in cuts but
13 will not name one of them.

14 I will offer a substitute in which we eliminate counter-
15 cyclical revenue sharing and general revenue sharing to the
16 states. That will give us a pretty good flexibility for some of
17 the cuts Senator Heinz was talking about and bills I have in
18 which represent small business, capital accumulation, economic
19 growth.

20 Let's see if we can find a majority around here that is
21 willing to vote. What is the countercyclical in here?

22 Mr. Stern. It is \$200 million in the President's budget,
23 actually about \$150 million. The Committee's tentative agreement
24 is \$340 million.

25 Senator Nelson. That is \$340 million and the general

1 revenue sharing to the states is what?

2 Mr. Stern. I believe it is about \$2.2 billion.

3 Senator Nelson. That gets us to about \$2.6 billion.

4 I offer as a substitute amendment that we eliminate the
5 \$2.6 billion for countercyclical revenue sharing and general
6 revenue sharing. Let's find out if we have people who will
7 go to \$2.6 billion before we find out how brave they are about
8 \$11 billion.

9 Senator Packwood. Mr. Chairman, I would like to interpose
10 a parliamentary objection. Number one, it has never been the
11 practice of this Committee to avoid votes up or down on the
12 various proposals. We have always been very reasonable in our
13 approach.

14 We have already dealt, as a practical matter, with the
15 revenue side or the spending side. We are now on the revenue
16 side. At a later time, if he wants to have a vote on that, there
17 is certainly no objection to that being done.

18 I do object to attempting to use that maneuver to prevent
19 a vote on providing some type of tax relief which I think is a
20 perfectly proper appropriate thing at this time.

21 I made some suggestions on spending to the Budget Committee.
22 We do not have jurisdiction, as I have already told the
23 distinguished Senator from Wisconsin, I would be very happy to
24 consider the deletion of the programs he is talking about if we
25 could get some real tax relief through.

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I think there are some other areas where I would prefer to see some cuts. I am going before the Budget Committee to spell those out.

I am not ducking the proposal as may be inferred from the remarks. I am anxious that we have a chance to consider this alternative.

I want to make sure I understand that all Senator Roth is suggesting is that we recommend to the Budget Committee an \$11 billion tax cut someplace, is that correct?

Senator Dole. It is \$10 billion. Senator Packwood. The Budget Committee is going to look at it and they are going to try to hold the deficit down and if they cannot find the ways to cut the budget, they obviously are not going to recommend the tax cut and we will go through this again on the Floor.

If we do not at this stage recommend the tax cut to the Budget Committee, we are left with trying to do it on the Floor because they will not have any other suggestion from anyplace else.

Chairman Long. Frankly, I am willing to do anything which seems to be fair about how to bring these matters to a vote. We do have a rule where the Chairman does have the discretion of trying to vote on something and get it to a showdown as quickly as possible.

I think in fairness we should let Mr. Roth have a vote on

1 his proposal. I also think it should be clear that in the context
2 in which it is being voted, that means it will increase the
3 deficit by \$10 billion. That does not mean we cannot reconsider
4 and go back here and take out these items.

5 Basically, if you agree with what Senator Roth wants to
6 do, then we can go ahead and talk about that part of it, too,
7 which means we probably should talk about how to cut some of the
8 rest of it.

9 I think we should go ahead and vote on the Roth proposal.
10 Senator Nelson. Was my substitute out of order?

11 Chairman Long. The Committee's rule says where you have
12 two or more motions pending, the Chairman has the discretion to
13 go ahead and decide the order on which they are to be voted on
14 and basically the idea is just to see what the Committee wants to
15 do about something of that sort, to try to get it to a decision.
16 It may be the Committee does not want to do anything about any
17 of this.

18 We can have all kind of votes on substitutes without ever
19 coming to grips with the issue.

20 Senator Nelson. Is that an Uncle Earl rule or a Committee
21 rule?

22 Chairman Long. Read what it says, Mr. Stern.

23 Mr. Stern. This is Committee Rule No. 7, order of motions,
24 when several motions are before the Committee dealing with related
25 or overlapping matters, the Chairman may specify the order in

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1 which the motions shall be voted on.

2 Senator Nelson. Does that apply to a substitute or an
3 amendment of any kind?

4 Mr. Stern. That has been the Committee rule for at least
5 three years.

6 Senator Nelson. I will vote against this \$11 billion because
7 I think it is totally irresponsible to sit here and control
8 50 percent of the area where we can cut. We are saying how we
9 are great heroes of budget cutting and not a majority is in
10 here and prepared to cut anything.

11 I vote no on that but I want to propose my motion to cut
12 countercyclical and general revenue and find out how many people
13 here will vote for the \$11 billion and are going to run for
14 cover when it comes to naming where it comes from.

15 Senator Boren. Mr. Chairman, in general, I am in sympathy
16 with what Senator Roth is trying to do, in other words, cut the
17 revenue and cut the spending both. I do feel being a member of
18 this Committee, that we at least commit ourselves to a portion
19 of these cuts ourselves on the spending side before we vote to
20 cut the taxes.

21 I think it does put us in a very weak position to go to the
22 Budget Committee and say we have not recommended any reduction
23 on the spending side beyond what the President proposed, but we
24 are recommending a cut in taxes.

25 I would feel obligated if he presses his motion now, not to

1 vote for it until this Committee has made some cuts further
2 of its own.

3 Chairman Long. Senator Danforth?

4 Senator Danforth. Mr. Chairman, Senator Roth offered a two
5 part program. He offered a program of the tax cut and what
6 amounted to an instruction to the Budget Committee to proceed
7 with some cuts. He was urged to abandon part two and now the
8 argument seems to be that because he has abandoned part two,
9 part one does not make any sense.

10 That is a circular argument.

11 The fact of the matter is by voting for Senator Roth's
12 proposal, we are not committing ourselves to any subsequent tax
13 cut or to any subsequent form of a tax cut. All we are doing is
14 creating leaway, freedom of action for this Committee to
15 address ourselves to a very fundamental question, and that is
16 what is wrong with the economy.

17 I would suggest that something is very wrong with the
18 economy in the United States of America today. When our
19 productivity declines to the point where it is below Great Britain,
20 when it reaches a four year low, when it is half of the historic
21 average increase, when the percentage of our gross national
22 product, which is invested in plant and equipment, is almost half
23 or a little more than half of what Japan's is, when our GNP growth
24 rate is well under Japan, France and Germany, when the proportion
25 of our gross national product that we are spending on research and

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1 development, which is what we have had to sell to the world, has
2 declined in the last ten years, something is very, very wrong
3 with the economic condition of this country.

4 Senator Roth has ideas of what to do about it. I am sure
5 I have very different ideas of what to do about it. It is
6 absolutely clear that tax policy is in fact related to our
7 economic condition. If we are going to get any kind of forward
8 movement in our economy, tax policy is going to be required.

9 I do not want to sound too partisan about this but the
10 Administration has provided no leadership whatever about what
11 we are doing with our economy. No economic policy or program
12 to increase productivity or investment or R&D has been made.

13 If the vacuum exists in the leadership in this country, the
14 Congress is just going to have to fill that vacuum with
15 leadership. I do not know of any way to do it other than through
16 some program of tax reduction, whether it is the kind of across
17 the board thing Senator Roth is advocating or whether it is the
18 more productivity, R&D, investment oriented approach which I have
19 been pushing for the last year.

20 It seems to me that we do not at this time responsibly want
21 to shut the door to any future consideration on tax policy for
22 fear of raising a point of order.

23 Chairman Long. Senator Bradley?

24 Senator Bradley. Mr. Chairman, I was please to hear
25 Senator Roth this time tie tax cuts to spending cuts. It has

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1 gotten away from last year's proposal which played a prominent role
 2 in my campaign where the thesis was propounded that if you reduced
 3 taxes, you would have more revenues and not less and therefore
 4 we would not have to have subsequent cuts in the budget.

5 I think I would like to wait until I see the cuts before I
 6 deal with the tax cuts. I think there is nothing wrong to wait
 7 and I would be forced to vote against that. I would prefer to
 8 have the proper forum where we could see it. I would like to have
 9 the letter which you sent to the Budget Committee with your
 10 proposed cuts in the budget, what you would like to see cut.

11 How much was that?

12 Senator Roth. A group of us sent the letter. We are going
 13 to appear before them later. We have not spelled out nor shall
 14 we until we go before the Budget Committee. There are a number
 15 of areas.

16 For example, it is very fashionable today on the part of
 17 thumb to say you cannot make saving through efficiency. I think
 18 that is billions of dollars in all candor that can be saved by
 19 that direction.

20 I think we can save a great deal in simplifying and
 21 consolidating. You have Mr. Califano who admitted last year that
 22 there was something like \$5 to \$7 billion in waste there. You
 23 have had G.S.A. admit hundreds of millions of dollars being
 24 wasted in our procurement because the government is buying off
 25 the shelf items at a higher cost than you or I can do in going

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1 into the store.

2 The problem is we have to deal with the procedures we have
3 here. This Committee has almost total jurisdiction over revenue.
4 We do have jurisdiction on some parts of spending.

5 Chairman Long. Senator Bradley?

6 Senator Bradley. I would like to know the total you are
7 recommending to the Budget Committee.

8 Senator Roth. It is \$10 billion.

9 Chairman Long. Senator Moynihan?

10 Senator Moynihan. Briefly, Mr. Chairman, in response to
11 my colleague, Senator Danforth, who knows I share his concern
12 about growth rates, to make this point, for the last three years,
13 the years of present recovery, the United States has had a
14 higher growth rate than the OECD countries.

15 We could put a certain prospective on our historic period.
16 In the last 20 years, the gross national product of the United
17 States has increased by an amount equal to the entire 200 year
18 history or three centuries of economic growth in this country.
19 We have doubled our GNP in the last 20 years.

20 We do not really know as much as anybody would like to about
21 relationship of the tax system to productivity. We know some
22 things and not others. We do know if there is anything that is
23 perceived as being mismanaged in this country, it is the size of
24 our deficit.

25 I have to say the proposal that we have before us is a

1 proposal to increase the deficit and I shall vote against it.

2 Senator Danforth. Could you yield for a moment?

3 Senator Moynihan. Surely.

4 Senator Danforth. It is true that we do not know as a
5 matter of precise science, exactly how to increase productivity
6 or R&D or investment.

7 My point is simply this is precisely what we should be
8 debating. If we do not provide some wiggle room in the budget
9 for a tax package which is designed toward these ends, then we
10 have shut off the debate. We have said, let's wait another year
11 or two years and then face up to the question of productivity,
12 investment and growth.

13 My view is that the economic problem is not so much the
14 deficit in and of itself but that the growth of the economy as
15 a whole is not keeping up with the growth of spending and is
16 not keeping up with the expectations of our people.

17 Senator Moynihan. The present budget will increase the
18 federal budget as a proportion of GNP.

19 Chairman Long. Senator Chafee?

20 Senator Chafee. Mr. Chairman, it is my understanding unless
21 we adopt something along the lines proposed by Senator Roth,
22 that then we operate within the restrictions of this sheet we
23 have before us, with the right to go on the Floor and present
24 cuts but then facing the Budget Committee that we are violating
25 the budget. Is that not correct?

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1 Mr. Stern. The assumption on the sheet is that you would
2 stick with the net figure in the President's budget not that you
3 would necessarily do it the way the President does but that would
4 be the net figure.

5 Senator Chafee. As I understand what Senator Roth is
6 proposing, he is asking the Budget Committee to come up with a
7 \$10 billion cut in spending. Is that correct?

8 Is that correct?

9 Senator Roth. Yes. We did that by special letter.

10 Senator Chafee. We are asking them to do that.

11 Mr. Chairman, I would like to say that I just
12 think this gives us one more chance to take a look at this thing
13 to see, as Senator Danforth said, some wiggle room.

14 I share the concensus which has been voiced here by several
15 on the concern with our balance of payment situation, our
16 productivity and I would like to have that chance.

17 Senator Wallop. Mr. Chairman, I have a brief statement.
18 Having once served in a legislature that had a Ways and Means
19 Committee, we were faced with what we were going to spend and
20 then finding a way to finance it. We do not have that
21 flexibility which is what I think Senator Roth is pointing out,
22 the way we are structured now and I am not proposing we change the
23 structure.

24 What I think the main thrust of what this proposal of
25 Senator Roth's is, is to give us a step closer where we can

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1 consider this at some point down the road in a responsible way.
2 If there is not the cuts to make or it has not been voted on,
3 both in this Committee and by the Budget Committee, then we do
4 not talk about the tax cuts.

5 We have really no way of bringing it up.

6 Chairman Long. It seems to me that really if you want to
7 vote on it, you should make it clear that you are not planning
8 to increase the deficit. I think that is explicit in the
9 Senator's position.

10 I think that is agreed. With that understanding, it seems
11 to me we would look rather foolish to send in our part of it
12 where we want a \$10 billion further tax cut and we do not have
13 to ask for that much, we really just have to ask for about
14 \$8 billion, but to ask for \$8 billion tax cut without offering
15 to take some part of it, when you get down to it, we have before
16 us where most of it is going to have to fall.

17 It seems to me we should be willing to specify some of the
18 areas in which the cut ought to fall. For example, take the
19 countercyclical revenue sharing. We have no business at all
20 voting on countercyclical revenue sharing if we are going to
21 recommend another \$10 billion in tax cuts.

22 I think we should vote and say we would urge you do this
23 and here is where we are proposed to take out parts of it. We
24 propose to take it in countercyclical. Yesterday we said aid to
25 the states. It looks to me as though we should put the

1 countercyclical part as far as the states are concerned -- the
2 revenue sharing for states and there is \$2 billion. It is really
3 more. What is it?

4 Mr. Stern. About \$2.3 billion.

5 Chairman Long. You add that to the \$400 million we are
6 talking about and that would give you about \$2.7 billion.

7 Frankly, if we really think we have cut about as much as
8 we can in health programs, you are going to have to reach up
9 into these social welfare programs. You are going to have to
10 vote for a cut.

11 It seems to me between the social welfare and the social
12 services, you can break it down however you want to break it down.
13 You are going to have to find about another \$3 billion in those
14 areas. Otherwise, we would not be able to carry our part of it.

15 When you put that together it gives you about \$5.7 billion
16 of the cut.

17 Senator Nelson. Then you would be nervous.

18 Chairman Long. You have \$1.8 billion of it here. If you
19 can find the \$5.7 billion and add the \$1.8 billion, that gets you
20 up to about \$7.5 billion. You are beginning to approach a
21 very responsible proposal.

22 Senator Wallop. The sum total of the \$10 billion cut is
23 not the obligation of this Committee alone.

24 Chairman Long. No. I am not talking about it in those
25 terms. I am thinking we should be willing to take about

1 \$7.5 billion. We have \$1.8 billion already assuming for the
2 sake of argument that you are not going to buy what the President
3 has in his recommendation about the real wage insurance. You
4 have \$200 million on the plus side so that gives you \$2 billion.

5 Senator Roth. Mr. Chairman, since the time is late, I
6 recognize that the best way to try to kill any tax cut proposal
7 is to try to sell paper towels that the Congress will find it
8 difficult to vote for.

9 I do not agree that we have to accept the Administration's
10 proposal as the basis from which to work. I think it is perfectly
11 responsible for every member of this Committee who wants to vote
12 for the tax cut to say savings can be made in other areas.

13 I would point out, for example, a two percent efficiency
14 saving would give you the \$10 billion alone. I am not saying
15 you could accomplish all of it that way.

16 If you look at the operations, the cost effectiveness, there
17 is a lot of savings to be made.

18 I have no objection if we want to go ahead and vote first
19 on the Senator from Wisconsin's proposal. I do object to the idea
20 that there has to be proportionate cuts.

21 We are starting from scratch now. Every Senator has the
22 right to decide what he thinks the federal budget should be,
23 what the priorities are. We do have almost total responsibility
24 for revenue.

25 I think we should go ahead and vote as the Chairman said, as

1 and some of which is practically political suicide, and I am
2 running next year, gentlemen. Having done all that, they deny
3 us the tax cut.

4 Senator Moynihan. Mr. Chairman, I am on the Budget Committee,
5 as you know. I can tell you exactly what will happen. They will
6 take the savings in the programs you have voted against and use
7 them to pay for the increases other committees have proposed.
8 There will be no change whatever in the budget. We will have
9 irresponsibly have reduced some serious well run programs that
10 this Committee oversees.

11 Senator Danforth. Mr. Chairman, let's vote on Senator
12 Roth's proposal and then on your proposal.

13 Chairman Long. Call the roll and let's vote.

14 Mr. Stern. Mr. Chairman, for clarification, is this a
15 \$10 billion revenue loss overall or \$10 billion plus \$1.9 billion
16 that is in the President's budget, which would be a total of
17 \$11.9 billion.

18 Mr. Stern. Mr. Talmadge?

19 [No response.]

20 Mr. Stern. Mr. Ribicoff?

21 [No response.]

22 Mr. Stern. Mr. Byrd?

23 Senator Byrd. No.

24 Mr. Stern. Mr. Nelson?

25 Senator Nelson. No.

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- 1 Mr. Stern. Mr. Gravel?
2 [No response.]
3 Mr. Stern. Mr. Bentsen?
4 [No response.]
5 Mr. Stern. Mr. Matsunaga?
6 [No response.]
7 Mr. Stern. Mr. Moynihan?
8 Senator Moynihan. No.
9 Mr. Stern. Mr. Baucus?
10 Senator Baucus. No.
11 Mr. Stern. Mr. Boren?
12 Senator Boren. No.
13 Mr. Stern. Mr. Bradley?
14 Senator Bradley. No.
15 Mr. Stern. Mr. Dole?
16 Senator Dole. Aye.
17 Mr. Stern. Mr. Packwood?
18 Senator Packwood. Aye.
19 Mr. Stern. Mr. Roth?
20 Senator Roth. Aye.
21 Mr. Stern. Mr. Danforth?
22 Senator Danforth. Aye.
23 Mr. Stern. Mr. Chafee?
24 Senator Chafee. Aye.
25 Mr. Stern. Mr. Heinz?

1 Senator Heinz. Aye.

2 Mr. Stern. Mr. Wallop?

3 Senator Wallop. Aye.

4 Mr. Stern. Mr. Durenberger?

5 [No response.]

6 Mr. Stern. Mr. Chairman?

7 Chairman Long. No.

8 The ayes are seven and the nays are eight. We will have to
9 poll the absentees. We have Senators Talmadge, Ribicoff,
10 and Matsunaga who were not present.

11 I would hope we could go ahead and vote on the resolution
12 with the understanding if the absentees should change the result,
13 we will change the result and report it the way they would
14 recommend it.

15 Senator Nelson. At some stage and I see it is 12:25 p.m.,
16 I would like a vote on the countercyclical and a vote on the
17 general revenue sharing. I am prepared to make the motion
18 right now and vote if everyone wants to vote now.

19 Chairman Long. If I have to vote on that as it stands now,
20 I would have to vote on it with the assumption that the Roth
21 motion did not carry.

22 Senator Nelson. I will withhold it.

23 Chairman Long. Assuming the absentees causes the Roth
24 motion to carry, if that should be the case, we will meet
25 tomorrow and try to find where we can make some cuts.

1 Mr. Stern. Mr. Chairman, we have added up the numbers on
2 the outlay side and find actually you are \$100 million over the
3 cuts in the President's budget. If you like, you could reduce
4 the savings you are projecting for the social security and
5 welfare programs instead of assuming a savings of \$800 million
6 you could assume a savings of \$700 million if you wanted to make
7 that modification.

8 Chairman Long. I think that would make Senator Moynihan
9 happy.

10 Senator Nelson. I do not know whether my interests are
11 protected. If in fact Bill wins with his, we will not have
12 a quorum tomorrow to vote on the cuts. Nobody will show up.

13 Senator Roth. That is a good point.

14 Chairman Long. As you know, we have a lot of flexibility.
15 We have found ways to do things that people never thought we
16 could do. We keep them guessing.

17 Mr. Stern. As of the moment, Mr. Chairman, if the Roth
18 motion fails to carry, you will wind up with the same figure for
19 net savings in the outlay programs and the same net revenue
20 loss as the President's budget.

21 Chairman Long. Is that all right with the Committee? If
22 there is no objection, we will do that.

23 Mr. Stern. Mr. Chairman, do you want to move onto the
24 Debt Limit Bill? The question is whether you want to meet
25 tomorrow or not.

1 The two things which are left over is tax expenditures and
2 on that particular item we simply recommend what you have done
3 in the past, enclose a copy of the amounts which are shown in
4 the President's budget.

5 Chairman Long. Without objection, I think we can agree
6 on that.

7 Mr. Stern. The last item is the Debt Limit Bill. For
8 purposes of the budget, all you need to do is recommend in your
9 letter that the Budget Committee do whatever is consistent with
10 what they agreed to do in the spending side. That is what you
11 have done in the past.

12 The other thing which we put on the agenda was if you would
13 like to take up the Debt Limit Bill which is going to come up
14 this afternoon in the House.

15 Chairman Long. Take it up when?

16 Mr. Stern. If you would like to decide what you want to do.
17 For example, you might want to make your decision substantively
18 on what to do on the Debt Limit Bill and hold it at the desk
19 when it comes over from the House, which is something you have
20 done in the past.

21 Chairman Long. If it is all right with Senator Byrd, I
22 would suggest we stop the bill at the desk.

23 How much time do we have to act after the bill gets over here?

24 Mr. Buckberg. The present debt limit will run out
25 approximately March 9th, according to the Treasury's last

1 calculations. The statutory limit for the 798 would run through
2 March 31st but that is not adequate. Last July the House on
3 the Floor amendment reduced the amount that the House Ways and
4 Means Committee had approved through March 31st but it did not
5 change the date.

6 It was thought then it would last through about today.
7 Treasury has been able to do a little bit better and they will
8 last through about March 9th, at which time they will not be
9 able to borrow any more because they are up to the debt limit.

10 Chairman Long. I would suggest, if it is all right with
11 Senator Byrd, that we stop that bill at the desk. We will
12 inevitably run into a situation where time is running out on us.
13 We will hold that bill at the desk and let the Committee meet.
14 Senator Byrd can conduct the hearing.

15 Mr. Stern. He has already held a hearing, Mr. Chairman.

16 Chairman Long. The Committee can meet and debate the
17 debt limit. We will have it out there on the calendar. In that
18 way, we can avoid that three day layover rule. If we have the
19 time running out on us, we can go ahead and bring the bill up
20 and offer our Committee amendment on the Floor.

21 Mr. Stern. Do you want to have that discussion now,
22 Mr. Chairman? It has been put on the agenda for these meetings.
23 You might not have to meet tomorrow if you take care of this matter.

24 Chairman Long. It is all right with me. Harry?

25 Senator Byrd. I think the suggestion you made is perfectly

1 satisfactorily with me. With this proviso, I am assuming the
2 Ways and Means Committee will not throw us any curves. By that
3 I mean not attempt to tie to its bill proposals that would in
4 effect eliminate consideration of an increase in the debt limit
5 for the future.

6 Mr. Buckberg. Senator, the Ways and Means Committee bill
7 has three issues in it. First, it raises the debt limit through
8 September 30, 1979 to \$836 billion. This is the amount which was
9 recommended by the Administration in the budget of \$833 billion
10 plus the \$3 billion allowance for contingencies which the
11 Treasury traditionally asks for.

12 In addition, it has increased the exception to the 4 1/4
13 percent interest rate ceiling on long term bonds by an additional
14 \$8 billion through which would provide the Treasury with the
15 amount to meet its financial planning through Fiscal Year 1979.
16 The present limit is \$32 billion.

17 The last provision is to increase the discretionary
18 authority for the Administration to raise the interest rate on
19 Series E and Series H Savings Bonds from six percent to six and
20 one-half percent. That authority could be exercised by the
21 Secretary of the Treasury with the approval of the President.

22 Mr. Vanik of the Ways and Means Committee has an amendment
23 to raise that limit to seven percent but it does not change the
24 authority in any other way.

25 Senator Byrd. All of that is satisfactory to the Senator

1 from Virginia. I heard some discussion there might be an effort
2 made to tie to that legislation proposals which in effect would
3 eliminate the opportunity for the Congress to review the debt
4 limit when the ceiling was reached in the future.

5 If that is the case, I think this Committee ought to
6 consider that very carefully before we go along with it.

7 Chairman Long. I do not think as far as we know anything
8 of that sort is being considered. I also think if something
9 that we are not anticipating should be added to it, the Committee
10 should meet and discuss it.

11 Senator Byrd. Yes.

12 Mr. Buckberg. Senator, the rule approved by the Rules
13 Committee for the Debt Limit Bill does not provide for any other
14 amendment.

15 Senator Byrd. If the House votes it down and it goes back
16 to Ways and Means, then Ways and Means has a door completely
17 open.

18 Mr. Buckberg. It has another shot. There is one proposal
19 that is being developed to try to adjust the procedure but would
20 still allow for regular bills.

21 Senator Byrd. Yes, that is what I am talking about.

22 Mr. Buckberg. That is Mr. Gephardt's bill.

23 Senator Byrd. I do not think he is ready to introduce that
24 yet.

25 Chairman Long. We have done this kind of thing before.

1 Let's say we will take up from the calendar the Debt Limit
2 Bill as the House sends it to us and we will consider that the
3 Committee has recommended that the bill pass but reserving the
4 right to any Senator to offer any amendments he may want to on
5 the Floor and if some amendments should be added by the House,
6 or if some amendments should be offered out there on the Floor
7 that is of grave concern to any member of this Committee and he
8 would like the Committee to meet, we will meet and discuss it.

9 Senator Byrd. Mr. Chairman, what you have said is
10 satisfactory to me with one proviso. If a proposal such as the
11 one you mentioned is incorporated in the bill, then could it be
12 referred to this Committee?

13 Chairman Long. I would like for us to first decide what
14 we think we ought to do about it. As far as I am concerned,
15 Senator, I want to protect your rights. I do not favor those
16 amendments that says we would no longer have a debt limit bill.

17 Senator Danforth. May I ask why, Mr. Chairman?

18 Chairman Long. You can ask but I would prefer not to answer
19 right now. I will take the Fifth at the moment.

20 Senator Danforth. When you get to \$830 billion, it is sort
21 of like the grains of sand on the beach.

22 Chairman Long. That is your opinion. Senator Byrd and I
23 do not quite agree with that.

24 I would think the kind of thing Senator Byrd wants to be
25 protected from, he should be protected from. I would like to

1 than we do. We will leave it that way.

2 Mr. Stern. Mr. Chairman, in that event, I do not think
3 there is any reason for a meeting tomorrow unless the vote on
4 Senator Roth's motion is changed.

5 Chairman Long. If the vote is changed, we will definitely
6 meet tomorrow.

7 Thank you. We stand adjourned.

8 [Whereupon, at 12:40 p.m., the committee was adjourned,
9 to reconvene subject to the call of the Chair.]

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