Calendar No. 391

97TH CONGRESS 1st Session } SENATE { REPORT No. 97-279

SECOND

CONCURRENT RESOLUTION ON THE BUDGET

FY 1982

REPORT

OF THE

COMMITTEE ON THE BUDGET

UNITED STATES SENATE

TO ACCOMPANY

S. Con. Res. 50

RE-AFFIRMING THE CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR THE FISCAL YEARS 1982, 1983, AND 1984

together with

ADDITIONAL AND MINORITY VIEWS

NOVEMBER 24 (legislative day, NOVEMBER 2), 1981.—Ordered to be printed

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97TH CONGRESS
1ST SESSION

S. CON. RES. 50

[Report No. 97–]

Re-affirming the congressional budget for the United States Government for the fiscal years 1982, 1983, and 1984.

IN THE SENATE OF THE UNITED STATES

NOVEMBER , 1981

Mr. DOMENICI, from the Committee on the Budget, reported the following original concurrent resolution; which was placed on the calendar

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CONCURRENT RESOLUTION

Re-affirming the congressional budget for the United States Government for the fiscal years 1982, 1983, and 1984.

Resolved by the Senate (the House of Representatives concurring), That pursuant to section 310(a) of the Congressional Budget Act of 1974, the concurrent resolution on the budget most recently agreed to with respect to the fiscal year 1982 (H. Con. Res. 115, Ninety-seventh Congress) is hereby re-affirmed.

SEC. 2. It is the sense of the Congress that—

Whereas the current budget projections are for large deficits in the range of $76,000,000,000 to $92,000,000,000 in fiscal year 1982; in the range of $96,000,000,000 to $136,000,000,000 in fiscal year 1983; and in the range of $103,000,000,000 to $165,000,000,000 in the fiscal year 1984; and

Whereas these large deficits are a primary cause of the historically high interest rates now prevailing; and

Whereas these interest rates are bringing many small businessmen, the automobile industry, farmers, and the housing sector near collapse; and

Whereas the unemployment rate has reached 8 per centum and is likely to increase further; and

Whereas the economy has entered into a recession which could last for many months:

Now therefore it is the sense of the Congress that the economic crisis now facing the American people is so severe that solutions must be found immediately; and

Further, it is the sense of the Congress that the President should submit a plan as soon as possible, to bring interest rates down, to decrease unemployment, to decrease substantially inflation, and to balance the budget in fiscal year 1984; and

Further, it is the sense of the Congress that Presidential guidance and leadership is essential to reach these goals.

Calendar No. 391

97TH CONGRESS
1st Session

SENATE

REPORT
No. 97–279

SECOND CONCURRENT RESOLUTION ON THE BUDGET—FISCAL YEAR 1982

NOVEMBER 24 (legislative day, NOVEMBER 2), 1981.—Ordered to be printed

Mr. DOMENICI, from the Committee on the Budget, submitted the following

REPORT

together with

ADDITIONAL AND MINORITY VIEWS

[To accompany S. Con. Res. 50]

The Committee on the Budget, having considered a Second Concurrent Resolution on the Budget re-affirming the most recently agreed to Congressional Budget for the United States Government for the fiscal years 1982, 1983, and 1984, pursuant to the Congressional Budget Act of 1974 (Public Law 93-344), reports the resolution without recommendation.

SUMMARY

For the first time in its history, the Senate Budget Committee reports to the Senate a Budget Resolution without recommendation.

The Committee reluctantly takes this unprecedented action for three major reasons:

—the requirements for a Second Concurrent Budget Resolution in the 1974 Congressional Budget and Impoundment Control Act;
—the inability of the Committee, despite 5 intensive days of debate on three fiscal policy plans for fiscal years 1982–84, to produce a majority vote for a course of action to reduce deficits during the next 3 years;
—the judgment of the Committee that placing before the full Senate a "pro forma" Resolution serves the Congressional Budget Process and the Congress better than failure to pass any Resolution this year.

The actions of the Committee on the Second Concurrent Resolution for FY 1982 were hampered by two factors outside the Committee's control: (1) unusual delays in the appropriations process that led to a continuing resolution and the enactment of only 1 of the 13 appropriation bills at the time of Budget Committee markup; and (2) the Administration's unwillingness to support any of the three fiscal plans debated by the Committee or to recommend any alternative.

I. REQUIREMENTS OF THE LAW

Sections 310 and 306 of the 1974 Congressional Budget and Impoundment Control Act clearly require the Budget Committee to report a second concurrent budget resolution. Section 310(a) of the Budget Act states: "The Committee on the Budget of each House shall report to its House a concurrent resolution on the budget which reaffirms or revises the concurrent resolution on the budget most recently agreed to. . . ." Section 310(f) requires that the second budget resolution must be in place before Congress can adjourn *sine die*. Finally, Section 306 of the Budget Act forbids Senate action on a budget resolution unless that resolution has been reported by the Senate Budget Committee.

In short, the Senate Budget Committee must act and the Senate is constrained from adjournment without passage of a second resolution reported by the Committee.

The decision of the Committee to report a "pro forma" resolution rests on both the requirements of law and the Committee's judgment that failure to act could cause irreparable damage to the budget process and to the ability of Congress to achieve fiscal discipline. This is a risk that the Committee refused to take.

II. COMMITTEE ACTION

The Senate Budget Committee met for 5 days on the Second Concurrent Resolution for FY 1982. The Committee considered three plans to reduce substantially the projected deficits in FY 1982–84. While the three plans differed in important areas, all projected declining deficits in FY 1982 and FY 1983 and budget balance in FY 1984. A compelling majority of the Committee favored a balanced budget by FY 1984, but could not agree on an approach to achieve that balance. Thus the Committee voted to report a "pro forma" Resolution that simply reaffirms the First Concurrent Resolution for FY 1982, which was adopted by the Congress on May 21, 1981. In addition, the Committee is fully aware that future revisions of the Resolution, adopted pursuant to Section 304 of the Budget Act, will be necessary in order to provide for revenue and spending re-estimates due to developments in the economy, actual spendout rates in Federal programs and final Congressional decisions on spending legislation.

The Committee also approved a sense of the Congress statement authored by Senator Johnston that calls upon the President to submit to Congress as soon as possible an overall fiscal plan that will yield a balanced budget in 1984. The Committee believes that without Administration guidance and leadership no such plan will gain Congressional approval.

Reporting a resolution "without recommendation" is repugnant to virtually every member of the Committee. This option is used by the Committee in the absence of any other feasible alternative. Reporting the Resolution, without recommendation, represents our best effort to forge a stop-gap measure in response to a problem that the Committee finds intractable at this time. This Resolution is intended merely to be a vehicle to put the issue of appropriate revision of the First Budget Resolution before the full Senate for further action as the Senate deems prudent.

III. CURRENT BUDGET PICTURE

The current budget outlook is substantially different than that envisioned by a majority of the Committee when it reported the First Concurrent Budget Resolution for FY 1982 last spring.

The First Resolution for FY 1982 set forth a fiscal policy that would have yielded a balanced FY 1984 budget under the economic assumptions adopted by the Committee. This balanced budget hinged upon passage of large spending and tax reductions during the next 3 years. Unprecedented spending and tax cuts were in fact enacted into law in the Omnibus Budget Reconciliation Act of 1981 and the Economic Recovery Tax Act of 1981. The Reconciliation Act yielded savings of $35.2 billion in FY 1982, $44.0 billion in FY 1983, and $51.6 billion in FY 1984. The Tax Act reduced revenues by $37.7 billion in FY 1982, $92.7 billion in FY 1983, and $149.9 billion in FY 1984. Thus, the eroding budget picture evolved not because of Congress' failure to act, but *despite* an historic series of actions by Congress.

At the time the Committee began debate on the Second Concurrent Budget Resolution for FY 1982, the budget picture had changed dramatically. Even with the savings achieved by the Congress—savings that gave the Administration virtually all the changes in law it had requested in March 1981—deficit projections for FY 1982-84 far exceed the levels set forth in the First Budget Resolution. Current economic forecasts put the deficits in the ranges of $76-$92 billion in FY 1982, $96-$136 billion in FY 1983, and $103-$165 billion in FY 1984 (or a total of $274-$393 billion for the 3 years). (See tables A and B.)

Table A.—Comparison of Budget Outlook Under Alternative Economic Assumptions

[Fiscal years, in billions of dollars]

	Markup base [1]			CBO [2]			Hollings [3]			Consensus [4]		
	1982	1983	1984	1982	1983	1984	1982	1983	1984	1982	1983	1984
Outlays [5]	732	797	859	731	801	869	739	818	896	737	811	885
Revenues	656	701	756	655	698	748	647	681	730	647	691	747
Deficit in absence of further action	76	96	103	76	103	121	92	136	165	90	120	138

[1] The economic projections and spending/revenue estimates used in the development of the materials and estimates prepared for the Committee's consideration.
[2] Spending, revenue, and deficit estimates computed by the Congressional Budget Office, based on the economic forecast submitted by CBO in its September mid-year report to Congress.
[3] Spending, revenue, and deficit estimates computed by the Congressional Budget Office, using an economic forecast provided by Senator Hollings.
[4] Spending, revenue, and deficit estimates computed by the Congressional Budget Office using economic projections based on an average of forecasts prepared by Data Resources, Chase Econometrics, Merrill Lynch, Wharton Economics, and Evans Economics.
[5] Adjusted to exclude unspecified cuts in FY 1983 and FY 1984, and reductions in cost-of-living adjustments in entitlement programs in all 3 years, both of which were assumed in the First Budget Resolution.

NOTE.— Details may not add to totals due to rounding.

Table B.—Comparison of Economic Assumptions Used in Developing Budget Ranges

[Calendar years]

	1981	1982	1983	1984
Percent change:				
GNP:				
Markup base	10.6	11.0	12.3	10.8
CBO	11.6	11.0	11.2	10.9
Hollings	11.2	9.9	11.5	10.9
Consensus	11.1	10.6	11.8	11.1
Real GNP:				
Markup base	2.2	2.5	5.0	4.5
CBO	2.3	3.1	4.1	4.0
Hollings	2.0	1.6	3.2	3.0
Consensus	2.1	2.5	4.1	4.4

Table B.—Comparison of Economic Assumptions Used in Developing Budget Ranges—Continued

[Calendar years]

	1981	1982	1983	1984
CPI-U:				
Markup base	9.9	7.0	5.7	5.2
CBO	10.1	7.2	7.0	6.2
Hollings	10.2	8.3	7.4	7.0
Consensus	9.9	8.2	7.6	7.1
Percent:				
Unemployment rate:				
Markup base	7.5	7.3	6.6	6.2
CBO	7.4	7.3	6.9	6.5
Hollings	7.4	7.7	7.3	7.1
Consensus	7.5	7.4	6.8	6.2
91-Day Treasury bills:				
Markup base	14.6	12.5	11.0	9.5
CBO	14.5	12.4	11.4	10.1
Hollings	15.0	14.3	12.7	11.8
Consensus	14.5	13.6	11.8	8.4

The Committee believes such deficits, if they are allowed to occur, will be devastating to the nation's economy, insuring continued high interest rates and fueling inflation. Further, the Committee recognizes that the Administration is in the process of changing its economic forecast. Published reports indicate that the Administration's new forecast will predict higher unemployment, higher interest rates, and slower growth for the nation in 1982 than earlier Administration forecasts. These uncertainties hampered the ability of the Committee to approve a future fiscal plan.

In the final analysis, the Committee decided that reporting a "pro forma" reaffirmation of the First Concurrent Resolution for FY 1982 is the only prudent response in the light of: (1) the Committee's obligation under the law to report a Second Budget Resolution to the Senate; (2) the Committee's inability to agree on substantive fiscal policy changes; and (3) the Administration's desire to wait until its January budget submission before it endorsed Congressional action on a full-scale fiscal plan for FY 1982–84.

ROLLCALL VOTES IN COMMITTEE

In compliance with Section 133 of the Legislative Reorganization Act of 1946, as amended, rollcall votes taken during Committee consideration of this legislation are as follows:

1. Johnston motion to include in the resolution sense of the Congress language calling on the President to submit a plan as soon as possible to bring interest rates down, to decrease unemployment, to decrease inflation and to balance the budget in FY 1984.

Motion accepted by voice voce.

Senator Moynihan would have voted "Yea" had he been present.

2. Hollings motion to accept economic assumptions more pessimistic than those presented in the mark-up materials.

Motion rejected by 8 Yeas 10 Nays.

Yeas:		Nays:	
	Hollings		Armstrong
	Chiles		Kassebaum
	Biden		Boschwitz
	Johnston		Hatch
	Sasser		Symms
	Hart		Grassley
	Riegle		Kasten
	Exon		Quayle
			Gorton
			Domenici

Senator Moynihan would have voted "Yea" had be been present.

3. Domenici motion to accept economic assumptions reflected in the mark-up materials with revised real growth rate for FY 82.

Motion accepted by 12 Yeas 8 Nays

Yeas:		Nays:	
	Armstrong		Hollings
	Kassebaum		Chiles
	Boschwitz		Biden
	Hatch		Johnston
	Tower		Sasser
	Andrews		Hart
	Symms		Riegle
	Grassley		Exon
	Kasten		
	Quayle		
	Gorton		
	Domenici		

Senator Moynihan would have voted "Nay" had he been present.

4. Motion to adopt the Hollings approach as a basis for marking up the budget resolution.

Motion rejected by 5 Yeas 17 Nays

Yeas:	Hollings	Nays:	Armstrong
	Biden		Kassebaum
	Hart		Boschwitz
	Riegle		Hatch
	Exon		Tower
			Andrews
			Symms
			Grassley
			Kasten
			Quayle
			Gorton
			Chiles
			Johnston
			Sasser
			Metzenbaum
			Moynihan
			Domenici

5. Motion to adopt the Domenici approach as a basis for marking up the budget resolution.

Motion rejected by 10 Yeas 12 Nays

Yeas:	Armstrong	Nays:	Kassebaum
	Boschwitz		Quayle
	Hatch		Hollings
	Tower		Chiles
	Andrews		Biden
	Symms		Johnston
	Grassley		Sasser
	Kasten		Hart
	Gorton		Metzenbaum
	Domenici		Riegle
			Moynihan
			Exon

6. Motion to adopt the Metzenbaum proposal.

Motion rejected by 2 Yeas 8 Nays.

Yeas:	Metzenbaum Riegle	Nays:	Kassebaum Grassley Kasten Gorton Hollings Chiles Exon Domenici

7. Domenici motion to report a concurrent resolution reaffirming the First Concurrent Resolution on the Budget FY 1982, including the language of the Johnston motion, without recommendation and with report language.

Motion agreed to by 13 Yeas 7 Nays

Yeas:	Kassebaum Boschwitz Tower Andrews Kasten Quayle Gorton Chiles Johnston Sasser Moynihan Exon Domenici	Nays:	Hatch Grassley Hollings Biden Hart Metzenbaum Riegle

ADDITIONAL VIEWS OF SENATOR DOMENICI

The primary purposes of the Congressional Budget Act are to provide Congress with the means to establish national budget priorities and to set appropriate aggregate levels of revenues and expenditures. As we approach the end of the historic first session of the Ninety-seventh Congress, I am deeply concerned that the Committee has not been able to help the Congress achieve these fundamental objectives at this time.

It is not for lack of trying. For the past 2 months, I have been seeking to develop a comprehensive plan that would put us on a path toward a balanced budget in 1984. As my colleagues know, extensive consultations have been held in an effort to establish a bi-partisan consensus. I regret that the needed coalition cannot be built at this time.

As President Reagan said last September, "We can run, but we can't hide," from the fiscal problems that will become increasingly apparent both to the public and to the Members of Congress. I am confident that, eventually, the necessary support for a course of action which will respond to the problems the nation faces will emerge. I have been concerned, however, that valuable time will slip away if we put off the actions we eventually must take.

It was for these reasons that, notwithstanding the lack of encouragement from the Administration, I offered to the Budget Committee a comprehensive plan that would have moved Congress in the direction it must eventually go. My plan was a straightforward projection of what must be done to bring the Government's books into balance. Because it is the responsibility of this Committee to inform our colleagues not only of the economic and fiscal problems that lie ahead but also of what can be done, I am taking this opportunity to outline for the Senate as a whole the broad contours of the policies that I proposed to the members of the Committee.

The following tables summarize the major elements of my proposal:

Summary of Domenici Proposal

[In billions of dollars]

	FY 1982	FY 1983	FY 1984	Total 3 years
(1) Projected outlays	732	797	859	
(2) Projected revenues	656	701	756	
(3) Potential deficit	−76	−96	−103	−274
(4) Domenici proposal.				

Summary of Domenici Proposal—Continued

[In billions of dollars]

	FY 1982	FY 1983	FY 1984	Total 3 years
(5) Revenue increases		10	38	48
(6) Outlay reductions:				
(7) Defense appropriations	2	9	16	26
(8) Other appropriations	4	13	15	32
(9) Entitlements	3	11	25	39
(10) Interest reduction	1	4	10	15
(11) Total outlay reductions	10	37	66	112
(12) Total Domenici proposal	10	47	104	160
(13) Remaining deficit (−) or surplus (+), line 3 minus line 12	−67	−48	+1	−114

NOTE —Details may not add to totals due to rounding.

Domenici Proposal by Function

[In billinns of dollars]

Function		FY 1982		FY 1983		FY 1984	
		BA	0	BA	0	BA	0
050	National defense	218.7	191.6	243.7	218.0	271.1	244.9
150	International affairs	15.0	10.7	17.2	11.0	17.8	11.6
250	General science, space and technology	7.3	7.1	7.7	7.5	7.2	7.3
270	Energy	2.6	5.9	3.5	5.6	3.7	5.7
300	Natural resources and environment	7.6	11.9	10.6	11.2	10.7	10.7
350	Agriculture	4.9	7.7	6.9	5.6	6.6	5.7
370	Commerce and housing credit	6.8	4.6	4.9	3.4	5.9	3.5
400	Transportation	20.0	21.0	20.5	20.1	20.9	20 4
450	Community and regional development	7.0	8.9	6.7	7.7	7.0	7.5
500	Education, training, employment and social services	25.2	27.6	25.6	25.8	25.6	25.5
550	Health	72.6	73.4	76.9	77.9	90.6	84.1
600	Income security	274.0	246.0	299.5	258.2	314.4	266.1
700	Veterans benefits and services	25.1	24.3	24.9	24.6	25.6	25.2
750	Administration of justice	4.6	4.7	4.6	4.8	5.0	5.0
800	General government	5.0	4.9	5.2	5.0	5.2	5.1
850	General purpose fiscal assistance	6.0	6.1	4.4	4.8	2.3	2.8
900	Interest	100.8	100.8	109.6	109.6	110.2	110.2
920	Allowances						
950	Undistributed offsetting receipts	−35.1	−35.1	−41.4	−41.4	−47.9	−47.9
	Total spending	768.1	722.1	831.0	759.4	881.9	793.4
	Revenues		655.5		710.9		794.2
	Deficit (−) or surplus (+)		−66.6		−48.5		+0.8

NOTE.—Details may not add to totals due to rounding

Economic Assumptions Used in Developing Domenici Proposal

[Calendar years; dollars in billions]

	1981	1982	1983	1984
GNP	$2,931	$3,254	$3,654	$4,051
Percent change, annual	11.6	11.0	12.3	10.8
Real GNP	$1,513	$1,550	$1,628	$1,701
Percent change, annual	2.2	2.5	5.0	4.5
GNP deflator: Percent change, annual	9.6	8.0	7.0	6.0
CPI: Percent change, annual	9.9	7.0	5.7	5.2
Unemployment rate, annual average	7.5	7.3	6.6	6.2
3-month T-bill rate, annual average	14.6	12.5	11.0	9.5

Under my proposal, the Federal budget would continue to grow but this growth would be suppressed to historically low levels. Over the past 3 years Federal outlays have expanded by an average of 13.6 percent per year. Under my plan, total outlays would grow by 9.3 percent in fiscal year 1982, 5.2 percent in fiscal year 1983, and 4.5 percent in fiscal year 1984. Entitlements such as social security would continue to grow under my plan, but at a considerably slower rate. Defense would grow dramatically, although more slowly in the out-years than requested by the Administration. Appropriated non-defense discretionary spending would show almost no growth, but no additional reductions would be required in this area beyond those being made for fiscal year 1982. I share the concern of many of my colleagues that this component of the budget has been the focus of much of our spending reduction efforts up to now and further reductions beyond those outlined in my plan would be counterproductive. Finally, my plan envisioned substantial tax reforms to improve fairness and equity in the tax code, raising revenues by about $48 billion in fiscal years 1983 and 1984.

On entitlements, I proposed to require legislative changes holding *increases* in entitlement expenditures $39 billion below what they would otherwise be over the next 3 fiscal years. This $39 billion represents a mere 4 percent of the total projected entitlement costs during these years. My proposal would allow entitlement programs to grow by approximately 75 percent of the increases that would otherwise occur.

On revenues, I proposed to require increases without delaying or reducing the business and individual tax cuts provided by the Economic Recovery Tax Act of 1981. The $48 billion which my proposal assumed can and should be raised by improving the fairness, equity, and economic impact of the tax laws by closing loopholes and reducing or eliminating unnecessary and counter-productive tax credits, exemptions, and deductions. This amount could be raised easily if only 10 percent of the existing tax expenditures were terminated by 1984. The fact is that the 1981 tax changes provided $82.3 billion in new tax expenditures for the fiscal year 1982–84 period—considerably more than I proposed be recovered through tightening across the whole range of tax expenditures.

All of these actions together would put us on a path to a balanced budget in fiscal year 1984 if the economy recovers and remains strong. If the economy is less vigorous than hoped, my plan would still bring us quite close to a balanced budget by fiscal year 1984. The deficit in fiscal year 1984 would be $104 billion smaller than it would otherwise be.

My plan was a pragmatic response to a real national problem. It recognized that we are in a recession, and therefore proposed only modest changes in fiscal year 1982. It provided for substantial spending and revenue restraint in fiscal year 1983 and fiscal year 1984, which are projected to be years of strong economic growth. If the plan had been adopted, it would have demonstrated to Wall Street, and more importantly, to Main Street, U.S.A., that we are serious about getting the Federal fiscal house in order.

During the course of Committee debate, several objections were raised to my plan. It was suggested that the growth assumptions I used in Fiscal Year 1983 and Fiscal Year 1984 were too high. It was suggested that my timing was wrong. It was suggested that we should wait for Administration guidance. These points deserve to be addressed.

First, the growth assumption for 1982–84 in my scenario was an annual average of 4.3 percent. The average real growth in the nation's GNP for the 3 years immediately following recessions since 1950 has been 4.66 percent. In other words, the economic growth assumption of my scenario was *less* than the average 3-year growth that our economy has experienced following major recessions in the post-World War II period. And those growth averages occurred without the types of dramatic changes in policy that we have put into place already.

Second, the timing for this measure could not have been better. Many considerations will make passage of the policies that my plan embraced even less certain next year. Further, many of the savings in entitlements assumed in my plan will occur in 1983 and 1984 only if we begin to institute the policy changes in 1982. Timing is everything in politics, and in my judgment, the timing for my plan was correct.

Finally, Administration guidance always helps in achieving major policy changes such as those I have proposed. The unprecedented action of capping appropriations accounts may never occur without full Administration support; entitlement and tax changes of the magnitude I have proposed face certain doom without Administration action. But, giving the Administration the benefit of Congressional thinking on matters of this import has great merit. My proposal, rather than co-opting Administration action, would have been a re-inforcing influence for the hard decisions the Administration must make during the next 2 months.

Let no one misunderstand the Herculean task ahead. What I have proposed, and what the Committee rejected by a narrow margin, is without precedent in the history of the Congress. Government spending would increase even under my plan. But a fundamental re-shaping of Federal spending priorities will occur if my program eventually becomes law. Without Administration support, a plan similar to mine cannot pass; without Congressional guidance, a plan similar to mine may never be proposed. That is the dynamic that I faced as I drew up my suggestions for the Committee's consideration.

Unfortunately, this plan was not adopted by the Committee; nor were either of the two alternatives proposed by Senator Hollings and Senator Metzenbaum. A combination of concerns about the timing and the substance of the proposals brought us to a situation of temporary deadlock in the Committee.

Time is running short if we are to have any chance of taking definitive action in the 97th Congress. Since 1982 is an election year, getting Congressional action on controversial spending cuts and revenue changes will become more difficult as we enter the election period.

The Administration is in the final stages of preparing its fiscal year 1983 budget submission. The Reagan Administration is deeply committed to a policy of spending restraint and to the proposition that Federal spending must not continuously exceed the revenues collected. I am confident that the President's January budget and legislative submissions will respond to the problems the nation faces. In my opinion, the January submissions will meet this challenge only if they include a mix of spending and tax policies that move realistically toward a balanced budget and a more equitable tax system.

We in Congress cannot long sit by in the face of unprecedented Federal deficits over the next 3 years. It is our duty to use our independent judgment in the establishment of the spending and revenue policies for the nation. The "pro forma" Resolution reported without recommendation by the Committee defers confronting these issues until later. However, it does not represent an abandonment of our responsibility to establish spending and revenue policies and measure legislative action against those policies. Eventually, we must grapple with these serious problems or we will fall victim to their inevitable consequences. It is the Congress which "disposes" in our constitutional system. To paraphrase President Truman, "The bucks *start* here."

PETE V. DOMENICI.

ADDITIONAL VIEWS OF SENATOR KASSEBAUM

In voting for adoption of the Committee-reported Budget Resolution, I cast my vote without the sense of reservation or reluctance expressed by many members of the Committee. I strongly believe the Committee has taken a logical, responsible position.

Had circumstances been different, I would have much preferred voting for what our distinguished Chairman refers to as "a meaningful resolution." However, just as we cannot choose our relatives, neither can we choose our circumstances.

This has not been a normal budget year. The Budget Committee earlier this year produced a most remarkable First Budget Resolution. By incorporating reconciliation instructions the Committee initiated a chain of events that resulted in far-reaching across-the-board reductions in the growth of Federal spending. The savings achieved will total over $130 billion by FY 1984.

Many of my colleagues have expressed distress over our failure to repeat our initial accomplishments in our most recent Resolution. I do not share that distress. The Committee's resolve to restrain the growth of Federal spending has not changed. The Committee's resolve is constant, its opportunities are not.

The accomplishments of the Committee, culminating in the enactment of the Omnibus Budget Reconciliation Act of 1981 were achieved under a clearly charted course of action. With the active support of the Administration and the Republican leadership we carried out a most successful cooperative effort.

Attempting to achieve additional legislative reconciliation of spending programs this year would be most difficult under the best of circumstances. The Committee deliberated three plans for doing just that—under the worst of circumstances.

As we began markup, only one of the 13 regular appropriations bills had been enacted. Neither the majority leadership in the Senate nor the majority or minority leadership in the House favored pushing for additional budget revisions at a time when the appropriations process had stalled under a second continuing resolution. And, the Administration steadfastly refused to support any Committee plan that restricted the President's options in formulating out-year budgets.

Under these circumstances, I believe the Committee acted correctly and properly in adopting this Resolution. Our action preserves the integrity of the Congressional budget process by fulfilling the requirement of the 1974 Budget Act for a Second Concurrent Budget Resolution. At the same time, it acknowledges the reality that substantive reconciliation language would be meaningless at best—counterproductive at worst.

In less than 2 months the Committee will begin work on the President's FY 1983 budget request. Among the options available to the Committee at that time will be the consideration of a revised Second Budget Resolution for FY 1982. Current economic forecasts project the FY 1982 deficit in the $75 to $95 billion range. Clearly deficits of that size are unacceptable to the Congress and will be unacceptable to the Administration.

Our efforts to reduce the projected FY 1982 deficit, as well as those for FY 1983 and FY 1984 will require reductions in presently projected levels of defense spending as well as continued reform of entitlement programs. We will have to re-evaluate discretionary spending priorities and consider additional sources of revenue.

The spending restraints enacted this year constituted an impressive beginning. I have confidence that the Budget Committee, in concert with the Administration, will renew the effort to generate economic recovery through the Congressional budget process as Congress reconvenes in January.

NANCY LANDON KASSEBAUM.

ADDITIONAL VIEWS OF SENATOR QUAYLE

By adopting a technical Second Budget Resolution for FY 1982 merely reaffirming the figures contained in the First Budget Resolution, the Senate Budget Committee has provided the Administration with an opportunity to propose its January budget in circumstances as requested by the President. This Administration has yet to propose a complete budget plan to Congress. I believe the President should be given this chance.

Passage of a complete budget at this time would have committed Congress, just a few weeks ahead of the President's scheduled budget proposals, to a set of revenue and spending goals over the next 3 years. These would have reflected assumptions about economic conditions as well as fairly specific tax and spending policies. These assumptions, to be meaningful, would have had to be enforced by reconciliation instructions.

By adopting a technical Second Budget Resolution, the Senate Budget Committee has decided to allow the President to make the economic assumptions and set the economic and fiscal policies for the next 3 years.

Senator Domenici's budget proposal, considered in some detail by the Committee, was in many ways a remarkable document. It was based on fairly realistic economic assumptions. It recognized the need to defer tax increases in a recession. It clearly addressed the problems of growth in entitlement spending and it provided for a reasonable increase in defense expenditures. It contained no unspecified cuts and was basically honest in its revenue projections.

The President will be hard-pressed to come up with a better-balanced, more realistic budget in January.

Nevertheless, I believe the President should have his chance. Operating only with revisions of the Carter budget submitted in January, the Reagan Administration has led the way to the most significant budget-cutting legislation since passage of the Budget Act. The Omnibus Budget Reconciliation Act passed this summer cut $35 billion in FY 1982 and $130 billion over a 3-year period.

However, because of the great time and effort required to pass the reconciliation bill, all of Congress' other activities have slipped behind schedule:

—Not a single regular appropriations bill has been completed even though the Budget Act requires that they be so by the seventh day after Labor Day;

—We are in the process of passing yet another continuing appropriation, a public admission that Congress cannot accomplish its fiscal responsibilities in the time allowed under the Budget Act;

—We are now, late in November, reporting only a technical Second Budget Resolution which, according to the Budget Act, was supposed to have been finished by September 15.

We must recognize, in addition, that we now find ourselves in the midst of a recession. This has caused major revisions in economic forecasts, all of which have been made more complex because much of the economic program passed last summer does not go into effect until some time next year. We do not know how deep the recession will be, when recovery will begin, and what effect the new tax laws will have on savings and investment.

We will know all of these things somewhat better in the spring when we will have to consider the First Budget Resolution for FY 1983. It is almost certain that no matter what Second Budget Resolution we passed now, it would have to be revised then anyway.

In these circumstances, I believe it is wise to allow the Administration to set its economic course and make its projections in January as required by law, without being second-guessed by Congress just a few days before adjournment.

DAN QUAYLE.

ADDITIONAL VIEWS OF SENATOR CHILES

It is with reluctance that I voted to report a Second Budget Resolution for FY 1982 which merely reaffirms the numbers of the First Resolution. That First Resolution was based on unrealistic economic assumptions and assumed unspecified spending cuts to the tune of $41 billion a year. Those unrealistic assumptions have now clearly been proven incorrect. The reason I voted to report this Resolution was to put a binding Second Resolution in place and preserve the Congressional budget process.

I am disturbed that the Budget Committee, the Congress, and the Administration have not yet been willing to come to grips with the budgetary and economic crisis facing this country.

It has been clear for months that we are facing Federal deficits for the next 3 years that will grow from $80 billion to over $150 billion, unless we make major changes in tax and spending policies.

The American people have been told they can have everything at once—a hugh tax cut, a major defense buildup, and only minor cuts of waste and fat in domestic programs. At the same time, they have been told they can have a balanced budget, less inflation, low interest rates, and rapid economic growth. While these are wonderful goals, which I would love to see achieved, there is simply no practical way to put them all together at one and the same instant.

The Administration's tax package produced much larger tax cuts than the spending cuts; in 1984, we face $150 billion of tax cuts, with only $52 billion in spending cuts. The obvious result is to add over $100 billion to the deficit. There are two ways the Administration had hoped to balance the budget, despite the imbalance of its tax and spending cut package.

The first way was to assume an unrealistically high rate of economic growth as a result of their new policies. In January they predicted a 5 percent real rate of growth for 1982. In July they lowered that to 3.4 percent. Now they are talking about 1 to 2 percent. Most private economists say we are in a serious recession and will be lucky to get any real growth at all in the 1982 fiscal year. A high rate of growth helps balance the budget by reducing expenses for unemployment compensation and welfare, and by producing more revenues at the same tax rate. Unfortunately, the Administration did not carefully figure out how the different parts of their economic program would interact with each other. Their tax cuts opened up hugh Federal deficits. To keep those deficits from fueling inflation, they called for a tight monetary policy, what they call "not monetizing the deficit." What the Administration forgot is that the simple laws of supply and demand apply to the credit markets. By opening up large Federal deficits, and by having a tax cut to stimulate borrowing for private business investment; however, a tight monetary policy means a low supply of credit. High demand and low supply for credit produces a high price; that

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is, high interest rates. After the Administration's tax and spending cut bills were passed into law, the credit markets looked at the projected deficits and interest rates went up to 20 percent. Those high interest rates have choked off housing sales, choked off auto sales, devastated small businessmen, and put us into a serious recession.

The recession relieves pressure in the credit markets, since private capital investment has dropped off rapidly, and interest rates are coming down. However, a 16-percent prime rate and 15-percent home mortgage rate will not allow rapid economic growth. And the same underlying factors remain in place. Once the economy recovers from recession, the combination of hugh deficits and tight monetary policy will drive interest rates right back up.

The only way we can get interest rates to stay down, and get ourselves on a track for strong economic growth, is to reduce the huge deficits we face in 1983, 1984, and beyond. That will take major changes in both the tax and spending side.

The second unrealistic way the Administration showed a balanced budget in 1984 was the so-called "magic asterisk." The President's package included $41 billion a year in "unspecified future spending cuts." The first one they sent up was for major cutbacks in social security benefits. While the American people want us to make the social security system financially sound, they have made it clear that they do not want us to cut social security to balance the budget. I think the passage of reconciliation made it clear that when we get specific spending cut proposals, and can put them before the public for open discussion, we can accept some, modify some, reject others, and come up with significant savings. But if we are just given some massive number, like $41 billion, without specific proposals that anyone is willing to put their name to, we get no savings. All we get is an exercise in arithmetic, which says that if we could save $41 billion, then the deficit would be $41 billion lower. One reason I voted against the two packages presented to the Committee by the Chairman and Ranking Member of the Committee was that both of these packages required tens of billions of dollars in unspecified cuts to achieve a balanced budget. In one case, the package's specific proposal included cutting the cost-of-living adjustment for all retirement programs, including social security, to 3 percent below the Consumer Price Index. By the Committee's projections, that would take the COLAs for 1983 and 1984 down to 2.8 and 2.6 percent. That would be only a third of the wage increase projected for active workers for those years. I just don't think Congress is going to pass that kind of a cut.

If the packages presented to the Committee are not realistic, how in fact do I think we can get on track to a balanced budget?

First and foremost, the American people have to be told the unvarnished truth. They most be told that a realistic projection of economic growth, and a realistic estimate of Federal program costs, will produce deficits that grow over the next 3 years from $100 billion to $150 billion in 1984; that we will face those huge deficits and high interest rates until we change the tax cut and pass more spending cuts.

The President must lead, and the members of the Budget Committee must assist, to tell the people that they cannot have everything all at once. We cannot buy everything we want for national defense, protect vital programs like social security, veterans' medical care, school lunches and education, and still give everybody a 25-percent cut in taxes. That tax cut will be paid for in higher sales and property taxes.

Once the American people are convinced that the budget and economy are in terrible shape, they will support having Congress make the necessary changes in tax and spending laws.

After reviewing the options presented to the Committee in preparation for the Second Resolution, I have worked up what I consider a balanced, realistic package of tax and spending changes, which are summarized in the tables below.

Spending Changes

I believe we can continue to make cuts in most Federal programs which will tighten them up and keep them from growing. This mostly follows the policies in appropriations bills reported to the Senate so far this year. While I do not agree with all the cuts in those bills, I think that at the Appropriations Committee, we have done a reasonably good job of protecting the really vital programs. There are some programs we can cut further, if faced with the real possibility of a $150 billion deficit.

Entitlement Programs

I think we will have to find ways to restrain costs in many rapidly growth programs, like medical care. We must make social security financially sound. However, I have not yet seen any proposals which I believe will adequately protect the poor, the elderly, and the disabled and still substantially reduce costs. I have therefore not included any cuts in social security, medicare or veterans' pensions, compensation, or medical care in my package.

Tax Changes

I believe there are three places we have to look for ways to moderate the excessive loss of revenues provided by the Administration's Tax cut bill:

CLOSE LOOPHOLES

> There are still too many special interest provisions in the tax code. Over $16 billion of extra benefits for the oil companies were added to the last tax cut bill. A new loss of over $20 billion was caused by the "leasing of losses" provision, which will allow large, profitable corporations to avoid paying taxes. However, I would not touch those provisions which are vital to the average American taxpayer, like the deductibility of home mortgage interest costs, or taxing social security benefits. Both

of these have been proposed, and I think they are both unfair and counterproductive.

ADJUST EXCISE TAXES, EXCEPT GASOLINE

Excise taxes on liquor and cigarettes have not kept pace with the overall rise of prices and incomes over the last 20 years, so these could readjusted, to raise revenues. However, I believe that the price of gasoline, which has more than quadrupled in the last 8 years, should not be raised. The average worker spends a large share of his income on gas to drive to work; the majority of the goods and services in our economy, both trade and tourism, move by gas. So we cannot raise the gasoline tax without putting a substantial drag on our economy.

DELAY OR REDUCE PERSONAL INCOME TAX CUTS

There is nothing magic about the number of a 25-percent reduction in tax rates by 1983. It is a goal which I share, to steadily reduce the share of national income going to taxes and government spending. In fact, in 1978, I got the U.S. Senate to adopt an amendment which would have made three successive income tax cuts, adding to about 25 percent. However, my amendment made each tax cut contingent on a reduced level of spending, so that we would be assured of a balanced budget. I do not believe the American people want a tax cut that is written in red ink. I therefore think we will have to delay or reduce the second and third rounds of tax cuts to get us back on track to a balanced budget.

The following two tables show the approximate levels of tax and spending changes which I think we should make over the next 3 years. I have presented these as adjustments to the President's tax and spending cuts enacted by Congress, to show that the program is balanced against what the budget looked like before this year. Overall, my adjustments would hold the 1984 revenue loss down to the amount of spending cuts which we could achieve. Tying the amounts of the tax cuts to the amounts of the spending cuts is the only logical way to reduce Federal deficits.

Table 1.—Chiles Package

[In billions of dollars]

	Spending reductions				Revenue changes		
	FY 1982	FY 1983	FY 1984		FY 1982	FY 1983	FY 1984
President's package as enacted to date.	−37	−45	−52	President's package as enacted to date.	−35	−93	−150
President's defense cuts.	−2	−4	−6	Revenue changes: Tax expenditures:.			
				Individual	5	11	12
				Business	2	5	6
Further domestic cuts	−2	−19	−27	Excise, except gas	6	12	12

Table 1.—Chiles Package—Continued

[In billions of dollars]

	Spending reductions				Revenue changes		
	FY 1982	FY 1983	FY 1984		FY 1982	FY 1983	FY 1984
				Reduce or delay 1983, 1984 personal cuts.	4	21	38
New spending cuts	−4	−23	−33	New tax adjustments	+17	+49	+68
Total spending cuts.	−43	−68	−85	Total tax cuts	−18	−44	−82

Table 2.—Impact of Chiles Package on Federal Deficit

[In billions of dollars]

	FY 1982	FY 1983	FY 1984
(Post 1981) net change to current law:			
Spending changes	−43	−68	−85
Tax changes	−18	−44	−82
Effect of Chiles package on deficit:			
New spending cuts	−4	−23	−33
Revenue increases	−17	−49	−68
Total reduction in deficit	−21	−72	−101
Deficit, Hollings economic assumptions	92	136	165
Deficit after Chiles package	71	64	64
Deficit, CBO economic assumptions	76	103	121
Deficit after Chiles package	55	31	20

I would like to see us balance the budget in 1984. The President has now said this will not be possible, due to the deteriorating economic situation. We should not abandon the goal however. The most important thing to restore public confidence and stablize the credit markets is to get the deficits moving steadily down, not up.

My package would reduce the Federal deficit below current projections by $21 billion in 1982, $72 billion in 1983, and $101 billion in 1984. If we used the pessimistic economic projections proposed by Senator Hollings, that would cut the 1984 deficit from $165 billion back down to $64 billion. If we take the more optimistic economic projections of the Congressional Budget Office, the 1984 deficit goes all the way down to $20 billion. Given the uncertainties of economic forecasting, the truth is likely to come out between the two extremes.

The most important task is to spend the next few months presenting the true picture of the budget and economy to the American people. A $101 billion reduction in the deficit means taking away $101 billion of tax and spending benefits that people are expecting. They will not stand for that unless they know that the alternative is a deficit growing to over $150 billion, and the high interest rates and economic stagnation which go with those deficits. Then we can make the hard decisions necessary to get the United States back on track to economic growth and productivity.

LAWTON CHILES.

ADDITIONAL VIEWS OF SENATOR MOYNIHAN

I have supported the Chairman's motion to adopt the text of the First Budget Resolution as the Second Budget Resolution, but only with great reluctance. Let no one misunderstand the significance of the Committee's action, or my intentions in supporting it. The substance of the First Concurrent Resolution is based on faulty economic assumptions and false economic theories, and I do not endorse them. I agree to report this Resolution to the Senate *without* recommendation only as a "pro forma" means of sustaining the Congressional budget process.

Why was this Committee unable to agree on more than a "pro forma" Resolution? I take no pleasure in reporting that the Administration and the majority must accept chief responsibility for this failure. Three plans were offered to move the Federal budget toward balance in 1984, three separate proposals in response to the failure of the Administration's economic program to spark the economic upturn assumed in the forecasts for the First Concurrent Resolution. The Chairman proposed to raise taxes and to cut entitlements and other expenditures in 1983 and 1984, while two minority members, Senators Hollings and Metzenbaum, offered plans focusing on alternative approaches to revising the tax cut. I cannot endorse all the particulars of any of these plans. But their defeats followed the Administration's announced opposition to *any* new budget plans. The White House insists on no action at all, before the President unveils his own new plan next January. In this Resolution, however, this Committee does call on the President to present his proposals as soon as possible.

The Administration has successfully blocked a meaningful Second Budget Resolution. Nevertheless, we must report a Resolution of some kind. The Congressional Budget and Impoundment Control Act of 1974 bars Congress from adjourning *sine die* without approving a Second Resolution, and the Senate cannot consider one until the Budget Committee reports it. Earlier this year, this Committee spearheaded the largest spending reductions in American history, and the Congressional budget process will remain the crucial element in future efforts to restore fiscal responsibility. The Administration's reluctance and the majority's current inability to produce a Second Resolution which addresses our present fiscal problems, however, cannot become an excuse for undermining the entire budget process.

But let us not delude ourselves or the American public about the substance of this Resolution. Last April, I warned that the economic assumptions in the First Resolution, now transposed to the Second Resolution, were erroneous, as were the optimistic deficit forecasts based on them. One month earlier, I had told the Economic Club of New York,

> . . . we are all perhaps freer to acknowledge the improbability of some of the proposed budget cuts . . . the somewhat breathtaking forecasts on which the revenue estimates are based, and other such specifics. The deficit in FY 1982 will surely be in the neighborhood of $60 billion, and it could be higher.

In public, the Administration derided these warnings. In the December 1981 issue of the *Atlantic Monthly,* however, William Greider has given us all a remarkable glimpse into the private sentiments of the Administration's chief economic spokesman, OMB Director David Stockman. In private, we now know, David Stockman agreed with my warning:

> . . . The initial figures were frightening—"absolutely shocking," (Stockman) confided . . It predicted that if the new President went ahead with his promised 3-year tax reduction and his increase in defense spending, the Reagan Administration would be faced with a series of Federal deficits without precedent in peacetime—ranging from $82 billion in 1982 to $116 billion in 1984 (*Atlantic Monthly,* p. 32)

In this Committee last April, I offered a "balanced budget" mark based on more realistic assumptions and a more prudent tax program; on the Senate floor in May, I offered a "balanced budget and tax reduction amendment" with Senator Bradley. And I warned that the supply-side theories on which the Administration's forecasts and programs were based, were themselves fantasies. Once again, I told the Economic Club of New York:

> Can it be that economics has become a matter of revealed truth for those now in charge of the executive branch, something they have no need of understanding? Do they really think that economics is a matter of faith healing, which heaven knows is the impression they sometimes give?

And once again, we now know that David Stockman agreed, in private:

> Actually, it isn't all that hard to do . . . The whole thing is premised on faith, on a belief about how the world works. (*Atlantic Monthly,* p. 29)

And 4 months later, by April 1981,

> Stockman was privately staring at another reality—a gloomy portent that the economic theory behind the President's program wasn't working. (*Atlantic Monthly,* p. 39)

In May in Rochester, N.Y., I warned that the Administration's plans would leave large social security cuts as the only way to balance the budget:

> The Administration's proposed changes in social security amount to a breach of contract, startling in magnitude as well as content . . . We must cut government spending and

we must balance the budget. I do not believe unprecedented cuts in social security are the best or the fairest means of achieving these goals.

The majority derided my warning. We now know that David Stockman agreed, in private:

> I put together a list of 20 social programs that have to be zeroed out completely . . . And then huge bites would have to be taken out of social security. I mean really fierce, blood-and-guts stuff—widow's benefits and orphan's benefits, things like that . . . And it still didn't add up to $40 billion. (*Atlantic Monthly,* p. 40)

In July, I was asked to deliver the Democratic response to the President's television appeal for support for his tax program. On NBC, I warned that the Administration was locking-in huge deficits and high interest rates by its massive giveaways in the tax legislation:

> In the last few days something like an auction of the Treasury has been going on. The Administration is seemingly willing to pay any price to win votes for its version of the tax cut . . . What this is doing is taking a tax bill we could afford and transforming it into a great barbeque we can't afford.

The Administration protested, but we now know that David Stockman agreed, in private:

> Once again, Stockman participated in the trading . . . "Do you realize the greed that came to the forefront?" Stockman asked with wonder. "The hogs were really feeding. The greed level, the level of opportunism, just got out of control." (*Atlantic Monthly,* p. 51)

In late-August, I called for a "mid-course correction" to try to regain a semblence of fiscal control. On October 15 before this Committee, David Stockman testified, "We obviously need mid-course corrections."

By precluding new proposals for such corrections in the Second Budget Resolution, the Administration refuses to recognize the economic realities which its own Budget Director has now acknowledged, and which the American people experience every day. I support this "pro forma" Resolution, then, only to keep the Congressional budget process in operation—while the majority and minority members of this Body persuade the Administration not only to recognize these realities, but also to join us in acting on them.

DANIEL PATRICK MOYNIHAN.

ADDITIONAL VIEWS OF SENATOR EXON

The Second Concurrent Budget Resolution for FY 1982, which has been reported out of Committee without recommendation, has obvious flaws and limitations, as noted in the Report language.

Our current economic situation should surprise no one. On May 20, 1981, I made the following remarks on the floor of the Senate: (Remarks are attached.)

What can be done now? I believe Congress must look again at something similar to an amendment I offered without success in both July and September. This "safety valve" amendment would have cut down on the size of the Kemp-Roth-Reagan tax cut if the wildly optimistic economic assumptions resulting from its passage did not come true. We now know that the economic assumptions were totally unrealistic, and it now seems clear our economy would be in a much better condition had a "safety valve" amendment passed in conjunction with the stimulative tax bill. Such a more realistic and conservative approach would also have protected the future of the budget process itself.

I regret that this "safety valve" amendment did not have bipartisan support, for it was truly an amendment which would have worked to lower interest rates and allow some of the better parts of the Reagan economic recovery program, such as cutting down further on unnecessary spending, to proceed. But until there is bipartisan cooperation to address the revenue side of the budget, as well as the expenditure side, our economy will continue to drift deeper and deeper into recession, a recession which has become a depression for agriculture, housing, and other important sectors of our economy. To the extent that this Resolution constitutes backtracking on the part of those who gave us the budget-wrecking First Concurrent Resolution, it is progress and sufficient reason for me to vote without enthusiasm to report the budget resolution without recommendation to the floor of the Senate.

J. JAMES EXON.

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Senate

Mr. EXON. Mr. President, I must oppose the conference report on the first concurrent budget resolution. As one of the Senate conferees, I had hoped that the conference could improve upon the Senate version of the resolution. My objections to the first concurrent resolution, printed in the RECORD on May 7, 1981, pages S4518-19, are appropriate reference here. Had the conferees improved on the Senate version I could have, with reservations, supported the report.

Unfortunately, this was not to be. The effort I made to include even cautionary language regarding the economic assumptions underlying the conference agreement was not acceptable to my fellow Senate conferees. This remains a mystery to me.

The statement I offered, but which was rejected by the majority, was the following:

> Many of the managers of the Resolution, including some who voted for the Resolution, have grave concerns regarding the economic assumptions contained therein, especially with regard to inflation and interest rates, and their effect on spending and deficits.

The fact that this innocuous statement was rejected demonstrates the majority's current unwillingness to recognize the very real possibility that the Kemp-Roth-Reagan tax cuts, which are embodied in this conference agreement, will lead us to more and more deficit spending, a total national debt far exceeding $1 trillion, and no real hope of a balanced budget.

It is clear to this Senator that we are throwing fiscal caution to the winds and are off chasing Don Quixote's economic windmills. To show how far amiss our conference assumptions are compared to other responsible estimates, I ask unanimous consent that a table to this effect be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

COMPARISON OF CONFERENCE ASSUMPTIONS WITH OTHER ESTIMATES

	1981	1982	1983	1984
Conference deficit assumptions	−58.05	−37.65	−19.05	+1.05
CBO reestimate of President's budget	−63.7	−63.6	−61.2	−65.9
	In percent			
Conference CPI assumptions	11.1	8.3	6.2	5.5
7 leading economists' average (March estimate)	10.8	9.0	8.2	7.3
Conference T-bills assumptions	13.5	10.5	9.4	8.2
7 leading economist' average (March estimate)	12.7	11.8	10.8	8.8
T-bill futures	[1] 15.9	[2] 13.6		
	[3] 13.9	[3] 13.2		

[1] June. [2] March. [3] December.

Mr. EXON. Mr. President, the economic assumptions on which this resolution is based are not only not credible, but even worse, they are incredible from any standpoint of fiscal conservatism or realism. The House and Senate have boxed themselves, wittingly or otherwise, into an Alice-in-Wonderland approach on economic assumptions. I hope it will work, but I am fearful it will not.

Mr. President, I strongly supported the totals in budget cuts as recommended by the President. Indeed we of the Budget Committee recommended and the Senate accepted totals in spending reductions in the reconciliation and first concurrent budget resolution process of several billions more in reductions than the administration recommended. I raised objections and still feel we were ill advised when the majority consistently thwarted even the minimal additional rearranging of spending priorities in some vital programs that were unnecessarily penalized.

The bottom line, however, is that even with the budget cuts, the more-than-prudent tax cuts contemplated in the resolution, we lead the people to believe incorrectly that we are slaying the economic demons of high inflation and interest rates. It is grossly false.

MINORITY VIEWS OF SENATOR HATCH

Let me begin my short comments by commending the Chairman for his efforts to secure adoption by the Committee of a Second Concurrent Resolution which would effectively address two sides of the crucial issues facing this Committee—the burgeoning Federal deficit and the runaway entitlements programs that continue to drive the Federal budget out of control. I regret that his efforts were not better appreciated by the majority of the members of the Committee.

The Second Concurrent Resolution recommended by the Budget Committee is seriously deficient in several ways, not the least of which is its failure to address the new economic circumstances which are causing the massive deficits noted by the second part of the Resolution. I continue to believe that stimulation of our productive capacity can only be achieved through reducing the burden on the national's economic endeavors. The First Concurrent Resolution on the Budget assumed tax reductions for both individuals and business and is a much needed step in the direction of reducing the burden imposed by the Federal Government. This assumption was later implemented for the most part in July by the Tax Incentive Act of 1981.

Regretfully, the Congress has not been able to address the ever-so-important issue of controlling spending. In the end every dollar spent by the Federal Government must be paid through one tax or another, and the current ballooning deficit represents just such a tax—a burdensome tax collected initially through the capital markets. There is currently a limited pool of resources which must be allocated between the private and public sectors, and burdening the capital markets with massive borrowing will not serve to stimulate the private sector.

The various types of credit assistance conducted by the Federal Government constitute no less a burden on our economy than government expenditures. The Federal participation rates in domestic credit markets have increased from 29 percent from 1970–74 to an estimated 41 percent in 1982. The Second Concurrent Resolution as presently constituted takes no initiative in bringing the massive off-budget credit activities of the Federal Government under control.

In perpetuating the bottom line for discretionary programs targeted in the First Concurrent Budget Resolution, this Resolution does not even call for the reductions embraced during markup by the proposed Domenici mark, generally the levels set by the Senate Appropriations Committee, which are themselves substantially in excess of the levels recommended in the President's September budget request. The President's proposals for discretionary program reductions deserve more serious consideration by this Committee. This Resolution sends the wrong message to the country—one of delaying for at least 6 months significant Congressional follow-up on the very promising first step that we took in the Omnibus Budget Reconciliation Act last summer.

The current impetus for the massive increase in the Federal deficit is the re-estimates of outlays for entitlement programs. There are at least a score of major uncontrollable entitlement programs which, far from being addressed by the Resolution, are not even accurately estimated here, as the Resolution ignores the current economic conditions driving these outlays. The provisions of the First Concurrent Resolution on the Budget represented a start at controlling entitlements, yet the Reconciliation Act only reduced spending for all programs by $35.2 billion, and the current CBO estimate of outlays for entitlements alone has grown by $42.8 billion since the end of FY 1981. If for no other reason, I could not support the Committee's recommendation on this Resolution because of the glaring oversight of not addressing this particular fiscal crisis.

ORRIN G. HATCH.

MINORITY VIEWS OF SENATOR GRASSLEY

The Congressional Budget and Impoundment Control Act of 1974 stipulates that Congress must pass a Second Concurrent Resolution for the current fiscal year. In order to fulfill its legal responsibility, the Senate Budget Committee has considered several alternative budget scenarios, which would also serve the purpose of suggesting responsible fiscal policy to the Congress. Unfortunately, the goals and methods of achieving them were subject to such controversy and debate that no consensus agreement was reached. The Committee, therefore, has voted to re-affirm the budget passed this past spring (the First Concurrent Resolution on the Budget for Fiscal Year 1982) and send it on to the full Senate without a recommendation as to its disposition.

Though the Committee insists that this is merely a pro forma measure until recommendations from the President are received and enacted, I am disappointed with the outcome which is adverse to our earlier actions. Congress as a whole, and this Committee in particular, have displayed tremendous discipline in enacting the crucial spending and tax reduction components of President Reagan's economic recovery plan this year. With the very able leadership of our Chairman, Senator Domenici, the Committee began its contribution to the plan with action on the reconciliation bill in early March, and has continued to fulfill the commitment to reducing the rate of growth in government spending.

The object of this exercise, is to reduce the outrageous deficits of the past decade, which are a major cause of our current economic frustrations. The deficit itself is not an evil, but it is the size of the deficit relative to the total capital available for investment and inflation that contribute to our economic problems of high interest rates, unemployment, more inflation, and low economic growth and productivity. Unfortunately, the economy has not responded to our fiscal policy changes as quickly as we had hoped. Our problems with interest rates and inflation are slowly diminishing, but we are a way from full economic recovery. It is with this in mind, that President Reagan proposed additional spending reductions in September, which the Committee tried to incorporate in the Second Budget Resolution. In the face of widespread Congressional opposition, however, this has not come about. I am not convinced that we should abandon our goal of a balanced budget through less government spending so easily. Congress can and must combine further budget reductions with whatever compromises are necessary to pass such cuts.

For this reason, I fully supported the Chairman's mark, which would have balanced the budget by fiscal year 1984. Though it did contain $48 billion in revenue enhancements, I was willing to accept this as a means to establishing $115 billion in spending cuts over the next 3 years, which were included in the Chairman's plan.

I am firmly committed to the 25 percent personal tax rate reductions we enacted this summer, and I would oppose any and all efforts to delay or repeal them. As a member of the Finance Committee, I would work to ensure that the $48 billion would be derived from the elimination of abuses and inefficiencies in the tax code.

Though I realize the legal obligations that lead the Committee to re-affirm the First Budget Resolution, I must dissent from this Resolution. I look forward to our deliberations in January. Our action of re-affirmation is nothing more than a stop-gap measure until we can dispose of the President's January budget submission. We have been promised revenue and entitlement reform, and though we are not privy to the details of the proposal, I hope that the Committee will be able to formulate a strong consensus for fiscal policy in the coming year. If we fail in this endeavor, we will have lost our chance to bring about the economic recovery that this country needs and meet the mandate of the 1980 Presidential election.

CHARLES E. GRASSLEY.

MINORITY VIEWS OF SENATOR HOLLINGS

There should be no doubt that the Second Budget Resolution reported from the Senate Budget Committee is a sham. In fact, it is not a true Budget Resolution at all. The Resolution does not contain levels of budget authority and outlays nor does it set the level of revenues or contain any other information that a Budget Resolution should. Instead the Resolution merely "re-affirms" the First Budget Resolution. In so doing, the Budget Committee has chosen to re-affirm a plan that was fatally flawed in the spring and is even more so today.

The Committee voted to report a statement that makes no progress toward solving our economic problems. It is not a plan to achieve a balanced budget. It is founded on erroneous economic assumptions and spending estimates and takes no account of the significant developments that have occurred since Congress passed the First Budget Resolution on May 21, 1981. I voted against that Resolution because of its many faults, and since those flaws have only been compounded by the Committee's action in reporting this Second Resolution, I must oppose it as well.

Before detailing the many serious problems with the Second Budget Resolution, let me state that I recognize the need for a Second Budget Resolution. The budget process this year has been subjected to much turmoil and stress and a series of delays resulting from Administration indecision. Already the Committee is over 2 months late in reporting the Second Resolution. But a failure to report any Second Resolution would be a serious setback to the budget process and would establish a precedent detrimental to its future.

I proposed a fiscal policy plan for the next 3 years that would form the basis for a Second Budget Resolution. It contained a series of responsible tax and spending changes that would have achieved a balanced budget in FY 1984 using realistic economic forecasts. My plan was defeated by a vote of 5 to 17. Other plans offered by the Chairman, Senator Domenici, and by Senator Metzenbaum were also defeated.

With the Committee unable to agree on any fiscal plan, it dropped back and punted. It decided to stick its head in the sand by ignoring reality and adopting the First Budget Resolution as the Second Resolution. Although the Committee has technically met its responsibility, the Second Budget Resolution is actually a disservice. It sheds no light on how we are to get the economy out of the current recession and achieve a balanced budget in FY 1984. In fact, it deludes people into believing that the policies embodied in the First Resolution are still correct. They are not.

FAULTS IN THE FIRST BUDGET RESOLUTION

The First Budget Resolution reported by the Committee in April was a sham. It was based on totally unrealistic economic assumptions, phony spending estimates and unspecified future savings.

The First Resolution adopted virtually unchanged, the Administration's economic predictions. These forecasts were a vision from Alice in Wonderland. Even the Director of the Office of Management and Budget has admitted that they were manipulated to show the vigorous economy that the administration needed. These forecasts called for nearly unprecedented rates of growth and reductions in inflation and interest rates that virtually no respectable economist believed could occur.

In addition to using phony economic assumptions, the defense numbers included in the First Resolution were manufactured. The majority abandoned the CBO estimates in the defense function and adopted the Administration's estimates of defense spending. By relying on the artificially low estimates from the Defense Department, the First Resolution did not allow room for purchasing all of the equipment and supplies the Administration said was necessary to improve our defense capabilities.

The First Resolution also includes unspecified cuts of $20.4 billion in FY 1983 and $27.8 billion in FY 1984. No one knew then or can state now what programs would be cut to achieve those savings. These numbers were again manufactured so that the Resolution would show a small surplus in FY 1984.

One of the biggest frauds of the First Resolution is that it includes the massive, misdirected Kemp-Roth tax cut proposed by the Administration. This tax cut, under the guise of supply side economics, has produced staggering revenue losses, totalling $718 billion between FY 1981-86.

All told, the First Resolution did not only not balance the budget in 1984 but assured continuing record deficits for the foreseeable future.

I said at the time the Committee reported the First Resolution that the real deficits were likely to be $60 billion in FY 1982, $69 billion in FY 1983, and $78 billion in FY 1984. Even the majority staff of the Budget Committee projected similar, if not higher, deficits. These deficits were hidden by the Committee's use of phony economic assumptions.

The following tables compare the First Resolution economic assumptions and deficits with those likely under today's economic forecasts.

Economic Assumptions

	FY 1981	FY 1982	FY 1983	FY 1984
Real GNP (percent change):				
First Concurrent Resolution	2.0	4.2	5.0	4.5
Hollings	2.0	1.6	3.2	3.0
Consensus	1.8	.9	4.5	4.0
CBO	2.3	3.1	4.1	4.0
Consumer prices (percent change):				
First Concurrent Resolution	11.1	8.3	6.2	5.5
Hollings	10.2	8.3	7.4	7.0
Consensus	10.4	8.4	7.4	7.4
CBO	10.1	7.2	7.0	6.2
Unemployment rate (percent):				
First Concurrent Resolution	7.5	7.2	6.6	6.4
Hollings	7.4	7.7	7.3	7.1
Consensus	7.5	8.1	7.4	6.7
CBO	7.4	7.3	6.9	6.5
91-day Treasury bill rate (percent):				
First Concurrent Resolution	13.5	10.5	9.4	8.2
Hollings	15.0	14.3	12.7	11.8
Consensus	14.4	12.5	11.8	11.0
CBO	14.5	12.4	11.4	10.1

Federal Budget Comparisons

[Fiscal years, in billions of dollars]

	1982	1983	1984
First Concurrent Resolution: [1]			
Outlays	695.45	732.25	773.75
Revenues	657.8	713.2	774.8
Deficits	−37.65	−19.05	+1.05
CBO: [2]			
Outlays	731	801	869
Revenues	655	698	748
Deficits	−76	−103	−121
Consensus of leading forecasters: [2]			
Outlays	739	812	889
Revenues	638	678	738
Deficits	−101	−134	−151
Senator Hollings: [2]			

Federal Budget Comparisons—Continued

[Fiscal years, in billions of dollars]

	1982	1983	1984
Outlays	739	818	896
Revenues	647	681	730
Deficits	−92	−136	−165

[1] Includes unspecified cuts in FY 1983 and FY 1984 and cost-of-living cuts in all 3 years These figures do not reflect later technical re-estimates

[2] These estimates include the most recent technical re-estimates but exclude the unspecified cuts in FY 1983 and FY 1984 and the cost-of-living cuts

A serious problem with using the First Resolution as a Second, aside from the defects mentioned previously, is that the First Resolution fails to consider the significant economic and budgetary developments that have occurred since the spring. The First Resolution assumed a Kemp-Roth tax cut of $8.9 billion in FY 1981, $53.9 billion in FY 1982, $100.0 billion in FY 1983, and $148.1 billion in FY 1984. It also assumed savings from passage of a reconciliation bill totalling $138.9 billion through FY 1984.

However, Congress, in enacting the Economic Recovery Tax Act and the Omnibus Budget Reconciliation Act in early August made many changes from the First Resolution assumptions. Yet the Second Resolution reported by the Committee makes no correction for these changes. The following tables compare the actual tax and spending cuts enacted by Congress to those assumed in the First Resolution.

Economic Recovery Tax Act of 1981 Compared to the Administration's Original Proposals

[Fiscal years, in billions of dollars]

	1981	1982	1983	1984	1985	1986
Economic Recovery Tax Act of 1981	1.6	37.7	92.7	149.9	199.3	267.6
Administration's original proposal	8.9	53.9	100.0	148.1	185.7	221.7
Excess over (+) or under (−) original proposals	−7.3	−16.2	−7.3	+1.9	+13.6	+45.9

Omnibus Budget Reconciliation Act of 1981 Compared to Assumptions of First Budget Resolution

[Outlays, in billions of dollars]

	FY 1981	FY 1982	FY 1983	FY 1984
Actual savings achieved in Omnibus Budget Reconciliation Act of 1981	+0.1	−35.2	−44.0	−51.4
Savings assumed in First Budget Resolution	−1.5	−35.2	−46.4	−55.7

The First Resolution did begin the reconciliation process which was to eventually lead to the largest reduction in Federal spending approved by Congress. I cosponsored the original reconciliation resolution. The final bill approved by Congress reduced Federal spending by $35.2 billion in FY 1982 and by a total of $130.5 billion through FY 1984. Despite this unprecedented action, the Second Resolution ignores it.

Reaction to the First Budget Resolution

Not only is the First Resolution technically flawed, its fiscal policy plan, essentially the same as the Administration's, has been discredited.

Although the White House was jubilant in early August over having achieved the tax and spending cuts it sought in its economic plan, all was not well. Wall Street, looking at the fiscal policy plan, saw through the charade of the Kemp-Roth tax cut and during the month, the stock and bond markets started to drop. They realized all too well that the Administration's economic plan, as embodied in the First Budget Resolution, could not work.

When the President returned to Washington in September, he too saw the reality. His advisers admitted that their plan was in trouble. The Administration called for additional spending cuts in FY 1982 through FY 1984. Significantly, it also called for increased taxes and cuts in entitlement programs. It was encouraging that the Administration acknowledged that changes were needed. Unfortunately, it made the wrong changes. It refused to alter the personal tax cuts it had fought for.

A Realistic Plan to Restore Our Economy

The budget picture in the fall of this year was as bad as I said it would be the previous spring. While the record interest rates were starting to slip somewhat, it was the direct result of the Administration's program, which forced us into an unexpected recession. With unemployment climbing and revenues shrinking, the Administration publicly admitted that its spring forecasts of the economy were badly off. Instead of the declining deficits culminating in a balanced budget that Administration officials had assured us would occur, they were unofficially predicting that the deficits could rise to $100 billion in FY 1982, $125 billion in FY 1983, and $145 billion in FY 1984—a far cry from a balanced budget.

With these bleak predictions, the country needed assurance that there was indeed a way out of the mess we were in. I called on the President in September to make major changes in his tax program to reduce the revenue loss and preserve the possibility of balancing the budget in FY 1984.

Facing a deepening recession, the revenue loss from the Administration's tax policy was too great. We were hemorrhaging so badly on the revenue side of the budget that we could not tighten the tourniquet on spending enough to prevent the budget from going deeper into deficit.

I proposed a plan that would get the government's fiscal policy house in order and restore economic growth. It called for changes in the tax law that would limit the personal tax cut to 5 percent each year instead of allowing it to rise to 10 percent in 1983 and 1984. It would eliminate the giveaways to oil companies included in the recent tax act and would end the deductions for intangible drilling costs. It would also rescind the provision in the new tax law that allowed big companies to lease their tax losses to others, in effect creating a system of tax stamps. And, it would revamp the tax code to eliminate outmoded or special interest tax expenditures that do not improve productivity or foster economic growth. Finally, my plan would eliminate the indexing of the tax system, scheduled to start in 1985.

On the spending side, my plan would decrease defense spending as recommended by the President and would continue to reduce spending for various government programs, including reform of the increasingly costly cost-of-living adjustments. Because my program is based on the economic assumptions of the CBO, it would produce a credible budget that would be in balance by FY 1984. A balanced budget would also dramatically lower interest rates as the Federal Government would no longer need to consume such a large portion of our credit capacity.

I fear that even the CBO economic assumptions may be too optimistic. The economic forecast prepared at my direction could turn out to be closer to the actual performance of the economy over the next few years. However, in an attempt to reach a compromise the entire Committee could accept, I based my plan on the CBO economic forecasts. The details of my plan as offered during markup of this Budget Resolution are summarized in the following table:

Hollings Plan [1]

[In billions of dollars]

	FY 1982	FY 1983	FY 1984	Total 3 years
Projected outlays [2]	730.7	801.2	869.2	
Projected revenues	654.9	698.1	748.1	
Potential deficit	75.8	103.1	121.1	300
Changes:				
Revenue increases	+7.5	+37.5	+64.0	+109.0
Outlay reductions	8.1	44.8	60.4	113.3
(Defense (Pres. September request))	(0.4)	(+1.8)	(+3.6)	(+5.0)
(Savings assumed in FCR)	(4.6)	(34.9)	(42.9)	(82.4)
(Interest savings)	(3.1)	(11.7)	(21.1)	(35.9)
Total deficit reduction	15.6	82.3	124.4	222.3
Remaining deficit (−) or surplus (+)	−60.2	−20.8	+3.3	−77.7

[1] CBO economics.
[2] Removes unspecified cuts in FY 1983-84 and unspecified COLA cuts in all 3 years that were assumed in the First Budget Resolution

It is imperative that we substantially reduce the Federal budget deficit in FY 1982 and FY 1983 and balance the budget by 1984. My position on this has been consistent throughout this budget process.

The Administration, on the other hand, began with a bold new program simultaneously to increase economic growth, reduce inflation, increase defense spending, reduce non-defense spending, provide for a massive tax cut, and balance the budget by FY 1984. I stated early this year that such a program could work only if it were phased in.

President Kennedy's tax program is a good example. In 1962, he initiated business tax cuts to stimulate investment. Then, 2 years later, after the productive capacity was in place, it was followed with a personal tax cut. The phasing of the Kennedy plan was the key to its success. My alternative adopted the same approach.

It is impossible to have the Administration's program all at once and still expect to achieve a balanced budget. Now it is clear that the Administration never intended to balance its budget. The President now says "I didn't come here to balance the budget. I was elected to reduce government intrusion in the economy."

What he fails to realize is that large budget deficits force the Federal Government into the credit markets to finance its deficit, thereby competing with private borrowers and producing high interest rates.

The President's new tone does not square with his statements earlier this year. On February 18, 1981, the President proposed his plan for "America's New Beginning." That proposal showed that the budget could be balanced by 1984. Those budget deficits, as projected then, are as follows:

[In billions of dollars]

	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985
Target deficit (−) or surplus (+)	−54.5	−45.0	−22.9	+0.5	+6.9

The Administration won on both the spending reductions and the tax reductions. On April 28, 1981, the President addressed a joint session of Congress and stated:

> On behalf of the Administration, let me say that we embrace and fully support that bipatisan substitute (the Gramm-Latta amendment). It will achieve all the essential aims of controlling government spending, reducing the tax burden, building a national defense second to none, and stimulating economic growth and creating millions of new jobs.

By late summer it had become apparent that the budget deficit was getting larger, not smaller so that the Administration began to prepare for a new round of budget cuts.

On September 24, 1981, the Administration proposed an additional $13 billion in spending cuts in FY 1982 and $3 billion in higher taxes. If that were enacted the Administration claimed that the budget deficit could be held to $43 billion in FY 1982. But these proposals were removed from reality. The President's package was only a half way measure. The CBO told us we faced a deficit of about $100 billion in FY 1984, yet the Administration offered only a $36 billion solution.

By September 28, David Stockman, Director of the Office of Management and Budget, began to back away from the Administration's commitment to a balanced budget. He stated then that:

> The precise size of the budget deficit in 1982 is not as important as making sure "the direction of the deficit is steadily down this coming year and in subsequent years."

This was further confirmed by Lawrence Kudlow, Assistant Director for Economic Policy of the Office of Management and Budget in hearings before the Senate Budget Committee. He stated that "we are all coming to the recognition that the deficit isn't going to evaporate rapidly" and that "it might be possible that the tax cut could be too large."

On October 28, David Stockman finally conceded that the budget deficit in 1984, the year President Reagan promised to balance the budget, could be over $100 billion. Stockman said, "I don't think anybody's talking about a literal accounting balance or making a fetish" of a balanced budget. This reminds me of remarks made some months ago by Representative Jack Kemp who stated, "Republicans no longer worship at the shrine of a balanced budget."

Proposals to reduce the deficit by raising taxes were rejected by the Administration. As reported in the Wall Street Journal on November 4, 1981:

> President Reagan has rejected a plan to raise taxes by $60 billion to $80 billion over the next 3 years even if it means relinquishing his goal of a balanced budget in 1984.
>
> The President sided with Mr. Regan, making it clear that he's willing to sacrifice a balanced budget to avoid tax increases.

And finally, recent internal Office of Management and Budget forecasts, as printed in the Washington Post, suggest a budget deficit of $100 billion in 1982 compared to the most recent public projections of $43 billion. In these unofficial forecasts, the 1984 deficit is not zero, as the Administration promised, but rather $145 billion.

Should this scenario actually materialize, it would be the greatest "riches to rags" story of the Federal budget in the history of the nation. Furthermore, the economy would be in ruins.

Not only has the President abandoned his pledge of a balanced budget but he has reversed himself on the need to act quickly. The tax increases and the cuts in entitlement programs that the President promised in his speech on September 24 have not been submitted to Congress. Furthermore, the Administration now does not want Congress to act on any fiscal plan before the President submits his FY 1983 budget in January. But relying on the cumbersome procedures involved with his January budget virtually assures us that any changes he might recommend would not be in place before May or June at the earliest.

It is clear that the President has now changed horses. But he has left the Congress and the economy in the middle of the stream. This is not leadership. The economy is in serious trouble. We need the President's cooperation, not his opposition, in fashioning a solution that will get our economy rolling again.

It is irresponsible to sit and wait while the economy and the American people sink deeper into recession. I commend the Committee for adopting Senator Johnston's resolution calling on the President to submit his recommendations on tax and spending changes to the Congress as soon as possible. The economy demands action.

I offered a plan to deal with the worsening economy. The Chairman of the Budget Committee also proposed a plan. While I did not support his plan, it was a responsible attempt to deal with the situation. However, without Presidential support, all of the plans offered in the Committee, including the Chairman's, were defeated.

The Sham Second Budget Resolution

Without the Administration's leadership or even guidance, the Committee could not reach agreement on any specific plan. To meet its obligations, therefore, it adopted a fall back position and agree to reaffirm the First Budget Resolution. All of the criticisms of the First Resolution apply to the Second since it is different in name only.

No one should be deluded into thinking that this Second Budget Resolution reported from the Budget Committee, has anything to do with reality. We will not have a shrinking budget deficit. We will not have a $1 billion surplus in FY 1984. This Resolution will not do anything to restore our economic prosperity.

Wall Street will not be taken in by this Resolution. The housing and auto industries, which have suffered under the crushing burden of high interest rates, will get no relief from this Resolution. And the countless small businesses that are perhaps suffering the most from this recession will gain no consolation.

This Resolution is a sham. That is why I oppose it.

Ernest F. Hollings.

MINORITY VIEWS OF SENATOR BIDEN

I cannot accept the Second Budget Resolution that the Committee has reported to the Senate. It appears to be a sham, meant to deceive the American people as to the seriousness of economic conditions in the country today. But sham or not, it is the budget which will guide the Federal Government for the next several months—and it is woefully inadequate. It does not provide the funding the Federal Government needs to conduct its business. It does not provide adequate funds for national defense. There is not sufficient funding for fighting crime. It is not an adequate budget for the education or health needs of the country. And it does not fully fund social security. I cannot agree to such a spending plan.

There is absolutely no validity to the estimates that are used as to where our economy is going in the next year. The economic assumptions are leftovers from the days last spring when magical powers were attributed to supply side economics. Those days are gone, but the Budget Committee chooses to ignore it. The Chairman of the President's Council of Economic Advisers sees only 1 percent real growth in GNP in 1982—but the Committee bravely continues its forecasts of 4.2 percent. The Committee projects the unemployment rate at 7.2 percent but the Administration thinks it will be 9 percent.

Such estimating not only conceals the true sickness of the economy, it also conceals the disease that is racking our budget. This "budget" says that the Federal deficit will be $37.65 billion in FY 1982. Nobody really believes it will be that low, not even the President. Yet that figure carefully conceals estimates of deficits ranging from $59 billion to $92 billion. In FY 1984, we can expect a deficit of up to $165 billion.

Last February the President proposed a program for economic recovery. It affirmed that "expectations play an important role in determining economic activity, inflation, and interest rates." It then went on to say that "As a result of the policies set forth here, our economy's productive capacity is expected to grow significantly faster than could be achieved with a continuation of past policies. Specifically, real economic activity is projected to recover from the 1980–81 period of weakness and move to a 4- to 5-percent annual growth path through 1986 . . ." It then said further that ". . . the economic environment could improve even more rapidly than envisioned in these assumptions." Well, expectations did not work, the economy is weaker than before, and budget deficits have soared.

This fall, the President finally agreed that his program was not working as expected and, on September 24, proposed a new program—the so-called fall offensive. But the offensive has never started. Although the President said he would make proposals that would narrow the deficit by $16 billion, Congress still has no specifics on major portions of that package, and apparently will not have until 1982.

During the delays since September, the situation has deteriorated to the point where there may be no "good" solution to putting a budget in place. But to pretend that nothing has happened since last spring, to pretend that the budget will still be balanced in FY 1984, to pretend that the economy is surging forward when in fact it has fallen to its knees, is destructive of sound fiscal practices, to say nothing of just plain honesty in budgeting. The fact that this budget proposal is reported "without recommendation" simply makes matters worse. For if the Budget Committee, with its background and experience cannot make a recommendation on this budget, then how can it expect the Senate to adopt it?

First we must disclose the problems in our economy, not hide them as this Resolution proposes to do. Then we must seek a new course of action, not the bankruptcy of the fall offensive, but new proposals to deal with high unemployment, high interest rates, and high inflation. I am disturbed by recent press reports that a "solution" being considered by the Administration is to "cap" Federal spending. That is the budgetary equivalent to repealing progress for a year. It is not only unwise, it cannot be done.

I have voted against this Resolution because it does not provide adequately for funding critical Federal activities and because it seeks to hide the desperate situation in which we find ourselves. If the budget process survives such shoddy treatment, we will have to try again next year. I hope that this time we will not promise America a quick and easy solution such as that promised last spring.

JOSEPH R. BIDEN, Jr.

MINORITY VIEWS OF SENATOR HART

I voted against the First Concurrent Budget Resolution for FY 1982 in Committee and on the Senate floor last May, and I am even more opposed to re-affirming it as the vehicle for the binding Second Resolution. It contains unrealistic economic assumptions and irresponsible tax and expenditure policies. Simple acceptance of this First Resolution will delay Senate consideration of responsible fiscal actions necessary to bring the budget under control and reduce interest rates. And, I view reconfirmation of this Resolution not as a way to preserve the integrity of the Congressional budget process, but as a further diminution of its integrity.

In May, I voted against "the promise of illusory budget cuts and rosy economic assumptions . . . against a program of continued deficits, heavy government borrowing, high interest rates, and continued inflation." Now, 6 months later, it is even clearer that these are the consequences of the economic program set out in the First Concurrent Resolution.

Worse, the economy likely is sliding into its deepest recession since the 1930's. Eight percent of the labor force is out of work—8.5 million workers, the largest number since the Great Depression. Housing starts in October plunged to the lowest level on record. Automobile sales, retail sales, machine tool orders, and investment plans have all shown the poorest performance in years. And the economic news is bound to get much worse before the recession is over.

We will not end this recession until we get interest rates down to more reasonable levels and keep them down. While rates have declined a bit recently, they are still high enough to choke off automobile and housing sales and to discourage productivity-improving investment. And rates are sure to rise again at the first sign of improvement in the economy. This is because there remains the specter of massive Federal deficits draining funds from the capital market for years to come.

We must bring these future deficits under control *now*. There is no reasonable alternative to deferring the scheduled reductions in personal income tax rates to achieve this end. A delay of the scheduled 10 percent cuts in personal income taxes for 2 years would cut the cumulative 3-year deficits by $112 billion—or roughly one-half of the deficit currently projected based on the First Budget Resolution. Tax cuts would still be forthcoming, but at a time when our fiscal house is in better order.

More and more prominent economists, businessmen, and policymakers are calling for delaying the tax cuts until the budget deficits are under better control. Now Congress should move immediately to take this act of fiscal responsibility. Waiting until next spring only risks another burst in interest rates that will squelch any possibility for economic recovery.

Finally, a "pro forma" adoption of the First Concurrent Resolution is not only bad economic policy; it is yet another act of corruption of the Congressional budget process. Congress adopted in the Congressional Budget Act of 1974 a set of procedures intended to "assure effective Congressional control over the budgetary process." While we have made some progress in the past 7 years in bringing discipline to the budget process, several recent events have reversed this trend. And we are now in danger of losing our Congressional prerogatives in a sea of economic distortions.

The Congressional budget process has been corrupted this year by at least three conscious decisions on the part of Congress to acquiesce almost unquestionably to Administration demands.

First, *acceptance of the Administration's false economic assumptions:* Last spring, Congress adopted a Budget Resolution which significantly underestimated the cost of Federal programs by relying on a set of projections about economic growth, unemployment, and inflation which it had every reason to believe was wrong. For the first time in 7 years, Congress rejected the economic projections of the Congressional Budget Office and substituted an economic forecast close to the uniquely optimistic Reagan Administration projections. By abandoning CBO's "mainstream" forecast, the size of the 1982-84 deficit was magically shrunk by $41.6 billion, disguising the real deficit of the Reagan tax cut and "reducing" the size of the spending cut needed to balance the budget by 1984.

Second, *phony budget figures:* Unable, even on the basis of the "wishful thinking" economic forecast, to identify budget savings sufficient to balance the budget by 1984, Congress inserted in the First Budget Resolution $63.1 billion in "unidentified savings." These "savings" were used to reduce the deficit shown in the budget, but were left to be made by some more imaginative or perhaps more courageous Congress at some future date. These "unidentified" budget reductions totalled $62.1 billion in 1983 and 1984.

Third, *surrender to the Executive Branch:* The Congressional budget process appears to have given up its independence from the Administration. In the First Resolution debate, for example, the House rejected its Budget Committee's advice altogether and substituted the Gramm-Latta amendment. That amendment had been slapped together so hastily at OMB that, as passed by the House, it contained the name and phone number of one of the OMB budget examiners who wrote it. In addition, the Senate Committee's decision—adopted by the Congress in the First Resolution—to reduce *authorization* levels as part of the reconciliation process, was a gratuitous and wholly unnecessary invasion of the authorization/appropriations process.

Now, this Committee has bowed once more to the Administration, by adopting a "pro forma" Second Resolution, which merely restates the inaccurate figures of the First Resolution. Under this unprecedented plan, Congress will wait for the President to tell it what to do in his January budget before adopting the revised Resolution. We are in this position on the Second Concurrent Resolution because the Administration failed to meet its leadership responsibility to work with the Committee this fall to formulate an acceptable set of economic assumptions and a set of tax and spending programs demonstrating fiscal responsibility. Now, Congress is quietly acquiesing to Administration demands.

These actions destroy the credibility of the Congress. No wonder Wall Street is so nervous. No wonder Main Street is so cynical and distrustful of politicians.

My vote against reconfirmation of the First Concurrent Resolution is not only a vote against its substance, it is a vote against this further corruption of the Congressional budget process.

GARY HART.

MINORITY VIEWS OF SENATOR RIEGLE

The Committee has reported a Second Budget Resolution for FY 1982 that in no way fulfills the Committee's responsibilities under the Budget Act. This pro forma Budget Resolution simply reaffirms the already discredited First Budget Resolution of last May. I believe that this is clearly not an acceptable response to the economic crisis that is engulfing the country, and I could not vote for this resolution.

The First Budget Resolution fully accommodated President Reagan's package of defense increases, spending restraint, and tax cuts. It also projected a balanced budget by FY 1984. It passed with strong bipartisan support. But we have since learned that the plan was based on economic assumptions that were consciously distorted by OMB in order to hide the huge Federal deficits that actually would result from enactment of the Administration's program. There is no justification for re-affirming a budget plan that was not constructed honestly in the first place.

Moreover, the deepening recession has already proven the Administration's economic projections to be dead wrong. Real GNP declined by 1.6 percent in the second quarter. It rose slightly in the third quarter but is expected to drop by 3.5 percent to 5.0 percent in the current quarter. Industrial production dropped by 0.8 percent during the third quarter. Capacity utilization has dropped from 80 percent at the beginning of the year to 76.9 percent. Unemployment is 8.9 percent—for the first time since 1939, 8.5 million Americans are unable to find jobs. Interest rates remain at crushingly high levels.

These national figures—bad as they are—mask the fact that some key sectors of the economy are suffering losses that will do long-term damage to the country's competitive strength. Homebuilding and the building supply industries are in their worst crisis ever. Auto sales are devastated—auto dealers are hit with unbearable inventory costs and auto manufacturers have lost vast amounts. Farmers are finding that interest costs are squeezing out their income.

In these and other sectors many well managed businesses are being pushed financially to the edge of a cliff. Bankruptcies are soaring. Thousands of other firms will not be able to last another 3 or 4 months unless the economic climate is drastically changed from its current course.

The Committee clearly has found that the Administration's economic program needs a major mid-course correction. The Committee has heard sharp warnings from Wall Street and Main Street that the Administration's plan is seriously flawed. We have even heard admissions from within the President's inner circle of economic advisers that the whole program was put together so fast that the Administration "didn't think it all the way through." The current economic program, which incorporates a tight monetary policy, has triggered a recession and financial tragedy for millions of Americans.

Action is needed now. But instead, the Committee recommends that nothing be done to change the current course until after January. The Committee has done so to accommodate the President's desire to delay his budget corrections until January. Because of regular slippage at the beginning of a new session of Congress, this delay will prevent a change from being made in the current year's budget policy for another 3 or 4 months. The American economy cannot wait that long.

I believe that the Senate should reject the Committee's recommendation, direct the President to promptly announce his revisions for this year's budget plan, and work through the Christmas and New Year season, if necessary, to enact effective remedies for the problems in the Administration's current economic plan. At a time when many Americans will have no Christmas, Congress should not adjourn until that job is done.

DONALD W. RIEGLE, Jr.

ADDITIONAL VIEWS OF SENATORS ARMSTRONG, SYMMS, AND GORTON

Today the Budget Committee, instead of adopting a meaningful Second Budget Resolution which speaks to the serious economic problems of our times, chose to meet its legislative responsibilities by simply reaffirming the First Budget Resolution. We feel that this is most unwise.

This unfortunate state of affairs is not the fault of the Chairman. Senator Domenici provided leadership in offering a budget plan that addressed economic realities when none was available elsewhere. Under his leadership, we came close to doing something that would have put us back on the path to fiscal responsibility.

The Domenici plan offered and narrowly defeated in Committee would lead to a balanced budget in 1984 through a combination of revenue enhancements, defense and appropriations savings, and entitlement reforms. Over 3 years the totals would be $26 billion in defense savings, $48 billion in revenue enhancements, $40 billion in entitlement reforms, and a cap on appropriations leading to $33 billion in savings. It is not a perfect plan, but it does recognize the frightening fact that without further action defense, interest on the national debt (due to deficits), and entitlements will equal 85 percent of 1984 budget outlays. Without touching these items, there isn't much room left to find additional necessary budget savings. This plan contains all the elements for success.

In Adopting last spring's First Budget Resolution as our Second Resolution, we adopted revenue, outlay, and deficit figures that do not reflect our current economic situation. This Resolution will show for 1982 a deficit of $37 billion when most private forecasters and the Budget Committee itself predicts about twice that much.

The country and the credit markets are looking to us for an honest and successful road to the restoration of fiscal integrity. But instead, the Committee has met this challenge with a plan that bears no relationship to economic reality. We regret that we find ourselves in a position of being unable to do anything else. Our action today can be viewed as dealing a very serious blow to the budget process and economic recovery.

We believe that it is very important that we, by our future actions, regain the momentum that this Committee achieved earlier this year and we appear to have lost today. In January we must decisively reaffirm the budget process. As soon as the President sends us his budget plan we must enact a multi-year resolution that implements his program. We can't wait for a leisurely set of hearings, committee markup, and delayed floor action. We must move quickly and keep the pressure on for early Congressional action on additional budget savings and entitlement reform. It will not be easy on Americans who will be affected by these changes.

But the high interest rates, raging inflation, and the massive adjustments that are going to occur in this nation's economy if we do not take these steps will be so difficult for us to bear, so hard for the people we represent to bear, that the burden of these budget changes is minor by comparison.

Without decisive action, deficits of $70 billion, $90 billion, and $100 billion loom ahead for the next 3 years. The fundamental cause of these deficits is the awesome momentum of a generation of ill-conceived programs that have added $700 billion to the national debt. This debt is now so massive that the interest alone exceeds the entire U.S. budget of just 20 years ago. And with these deficits have come the high interest and inflation rates that burden our citizens.

Some say that deficits don't matter. Theoretically, that is true if you finance deficits by selling bonds, rather than having the Federal Reserve print more money. But, back in the real world, if the government continues its big deficit fiscal policy, the Fed will print more money, and inflation will rage again. In the real world deficits do matter. Controlling deficits ultimately means controlling government spending. When we control this spending we tell government to step aside and let the private economy do what it does best—turn savings and capital into jobs, homes, and prosperity.

We are wrestling with nightmarish problems created by past Congresses that have cynically passed onto succeeding generations the obligations they would not pay for. The problems will not yield easily or quickly, but they can be solved. Our view is that to meet this crisis, we must use the budget process not as we have today, but to pursue the rigorous course that the times demand.

We look forward to seeing the President's budget plan in January and continuing the work we started last spring. Therefore we would recommend the Budget Committee begin work on a realistic Resolution the same day the President sends down his message.

William L. Armstrong.
Steven D. Symms.
Slade Gorton.

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