HON. RON PAUL OF TEXAS BEFORE THE US HOUSE OF REPRESENTATIVES November 18, 2005 Statement on So-Called "Deficit Reduction Act"

Mr. Speaker, as one who has long urged my colleagues to cut spending, and who has consistently voted against excessive and unconstitutional expenditures, I am sure many in this body expect me to be an enthusiastic supporter of HR 4241, the Deficit Reduction Act. After all, supporters of this bill are claiming it dramatically reforms federal programs and puts Congress back on the road to fiscal responsibility.

For all the passionate debate this bill has generated, its effect on the federal government and taxpayers are relatively minor. HR 4241 does not even reduce federal expenditures! That's right--if HR 4241 passes, the federal budget, including entitlement programs, will continue to grow. HR 4241 simply slows down the rate of growth of federal spending. The federal government may spend less in the future if this bill passes then it otherwise would, but it will still spend more than it does today. To put HR 4241 in perspective, consider that this bill reduces spending by less than $50 billion over 10 years, while the most recent "emergency" supplemental passed by this Congress appropriated $82 billion dollars to be spent this year.

HR 4241 reduces total federal entitlement expenditures by one half of one percent over the next five years. For all the trumpeting about how this bill gets "runaway entitlement spending" under control, HR 4241 fails to deal with the biggest entitlement problem facing our nation--the multi-billion dollar Medicare prescription drug plan, which actually will harm many seniors by causing them to lose their private coverage, forcing them into an inferior government-run program. In fact, the Medicare prescription drug plan will cost $55 billion in fiscal year 2006 alone, while HR 4241 will reduce spending by only $5 billion next year. Yet some House members who voted for every expansion of the federal government considered by this Congress will vote for these small reductions in spending and then brag about their fiscal conservatism to their constituents.

As is common with bills claiming to reduce spending, the majority of spending reductions occur in the later years of the plan. Since it is impossible to bind future Congresses, this represents little more than a suggestion that spending in fiscal years 2009 and 2010 reflect the levels

stated in this bill. My fiscally responsible colleagues should keep in mind that rarely, if ever, does a Congress actually follow through on spending reductions set by a previous Congress. Thus, relying on future Congresses to cut spending in the “out years” is a recipe for failure.

One provision of the bill that undeniably would have benefited the American people, the language opening up the ANWR region of Alaska and expanding offshore drilling, was removed from the bill. As my colleagues know, increased gas prices are a top concern of the American people. Expanding the supply of domestically produced oil is an obvious way to address these concerns, yet Congress refuses to take this reasonable step.

Mr. Speaker, some of the entitlement reforms in HR 4241 are worthwhile. For example, I am hopeful the provision allowing states to require a co-payment for Medicaid will help relieve physicians of the burden of providing uncompensated care, which is an issue of great concern to physicians in my district. Still, I am concerned that the changes in pharmaceutical reimbursement proposed by the bill may unfairly impact independent pharmacies, and I am disappointed we will not get to vote on an alterative that would have the same budgetary impact without harming independent pharmacies.

I also question the priorities of singling out programs, such as Medicaid and food stamps, that benefit the neediest Americans, while continuing to increase spending on corporate welfare and foreign aid. Just two weeks ago, Congress passed a bill sending $21 billion overseas. That is $21 billion that will be spent this fiscal year, not spread out over five years. Then, last week, Congress passed, on suspension of the rules, a bill proposing to spend $130 million dollars on water projects--not in Texas, but in foreign nations! Meanwhile, the Financial Services Committee, on which I sit, has begun the process of reauthorizing the Export-Import Bank, which uses taxpayer money to support business projects that cannot attract capital in the market. Mr. Speaker, the Export-Import Bank’s biggest beneficiaries are Boeing and communist China. I find it hard to believe that federal funding for Fortune 500 companies and China is a higher priority for most Americans than Medicaid and food stamps.

HR 4241 fails to address the root of the spending problem--the belief that Congress can solve any problem simply by creating a new federal program or agency. However, with the federal government’s unfunded liabilities projected to reach as much as $50 trillion by the end of this year, Congress no longer can avoid serious efforts to rein in spending. Instead of the smoke-and-mirrors approach of HR 4241, Congress should begin the journey toward fiscal responsibility by declaring a ten percent reduction in real spending, followed by a renewed commitment to reduce spending in a manner consistent with our obligation to uphold the Constitution and the priorities of the American people. This is the only way to make real

progress on reducing spending without cutting programs for the poor while increasing funding for programs that benefit foreign governments and corporate interests.