

hands and actually govern. So I ask, Will reasonable Republicans join us in forging a compromise for the good of our country?

CUT, CAP, AND BALANCE ACT OF 2011—MOTION TO PROCEED

Mr. REID. Mr. President, I now move to proceed to Calendar No. 106, H.R. 2560.

The ACTING PRESIDENT pro tempore. The clerk will report the bill by title.

The bill clerk read as follows:

A motion to proceed to the consideration of Calendar No. 106, H.R. 2560, an act to cut, cap, and balance the Federal budget.

The ACTING PRESIDENT pro tempore. Under the previous order, the time until 2 p.m. will be equally divided and controlled by the two leaders or their designees, with Senators permitted to speak therein for a period of up to 10 minutes each, with the Republicans controlling the first 30 minutes and the majority controlling the next 30 minutes.

The Senator from South Dakota is recognized.

Mr. THUNE. Mr. President, I rise today to speak to the issue the Senate is going to be considering for the next couple of days and ultimately voting on, it sounds like, possibly sometime on Saturday; that is, the cut, cap, and balance proposal that has been put forward by the House of Representatives.

The House passed this particular proposal the night before last. It is now pending under consideration in the Senate. What I would suggest to my colleagues in the Senate is this: It is the only proposal out there. It is the only plan we have to vote on.

It has now been about 813 days—I think is the correct number of days—since a budget was passed in the Senate. The Democratic majority has not submitted one for consideration here. We have not had votes on a budget. We have been operating without a budget. There is no plan.

The House of Representatives passed a budget earlier this year. It was criticized by many people here—Democrats—as being something they didn't want to support. There wasn't an alternative put forward by the Senate Democrats or by the President. The President did put a budget forward in his annual budget release earlier this year, but the Senate voted it down 97 to 0. There wasn't a single Member, Republican or Democrat, who voted in favor of the President's budget proposal. Why? Because it would have raised spending, raised the debt—almost doubled the debt over the next 10 years, and it would have increased taxes by over \$1 trillion.

Overall, I don't think those are the elements you want to be in a budget. You want to reduce spending and put a plan into place that starts getting a trajectory in place that starts reducing the amount of debt we have. You certainly don't want to raise taxes in an

economic downturn, when you are dealing with 9.2 percent unemployment. That is the only budget submission we have seen from the President.

As I said, there has not been anything in the context of the debt limit debate put forward by the Democrats in the Senate or by the President. The only proposal we have in front of us is the Cut, cap, and Balance proposal passed by the House of Representatives. You can say the House arguably has done its work. They have put forward a plan that we need to act on.

To suggest for a minute that there isn't an alternative, that the Republicans are being unreasonable in all this, I think completely misses the point, because that is the only plan out there. If you don't like that one, where is your budget? We have had 813 days without a budget. We don't have a plan to deal with the debt limit. What we have to vote on and consider and debate today is the Cut, Cap, and Balance proposal.

That is significant for a number of reasons. One, I believe the way to deal with the crisis we have in this country today—a debt crisis that gets worse by the day—is to get spending under control. I believe fundamentally that the problem we have in this country is not a question of not enough revenue, it is a question of too much spending. The government has gotten too big, has grown too fast. It is spinning out of control, in the minds of most Americans. They want to see us rein it in and get government spending and debt under control.

Yesterday, I read this on the floor, but I want to read it again. Ironically, it is a letter I got from a Boy Scout in South Dakota who is earning his merit badge. He wrote me a letter and said this:

I feel that the Federal Government needs a balanced budget. If we don't, the debt gets larger each year. I feel that there are two solutions for this. In our house, we are careful to only spend what my mom and dad earn. That needs come first and what is left is for wants. Many times we were told no when we ask for something. With my allowance and lawn mowing money, I divide it between donations, saving, and spending. I can't spend more than I make.

I think there are a couple of very powerful observations in this statement. The first is, obviously, it is not lost even on this young American how important it is to live within your means, and that you cannot spend money you don't have. That is clearly a lesson he has already learned. We need to learn that in Washington, DC.

Second is how profoundly this issue impacts the next generation. If, in fact, we fail to act to get spending and debt under control and to put us on a sustainable fiscal course, the next generation is going to pay a powerful price for our irresponsibility.

I submit again to my colleagues this is fundamentally a spending issue. A lot of folks talk about the need for more revenue. The President talks about wanting more revenue. The ma-

jority leader just said the House is out of town and how that is terrible because revenue measures have to originate in the House. Many of us believe this can be solved without more revenue, that we don't have to raise taxes on the American people or American small businesses to solve what is inherently and fundamentally a spending problem.

If we want to balance the budget, we have to get spending under control. Five times since 1969 the budget was balanced in this country. In each case, the average amount we spent was just under 18.7 percent of our GDP, so that is kind of the benchmark for the five times in our history since 1969 when the budget has been balanced. The 40-year average of spending to GDP in this country is 20.6 percent. That is the 40-year average. The five times we balanced the budget, it was 18.7 percent of GDP. This year, we are spending 24.3 percent of GDP. If you look at the President's budget—and even what are, in my view, optimistic assumptions about economic growth—you are still looking at that sort of a course for the foreseeable future. With what I think are going to be the exploding costs of the health care bill that was passed last year, it could be much higher than that.

My point is this: If you can balance your budget at 18.7 percent Federal spending as a percentage of GDP, and we are spending at 24.3 percent this year, we are 30 percent higher in terms of what we spend than those times in which we were able to balance the budget. If you are talking about balancing the budget, it means getting spending under control, reining in out-of-control Washington spending.

For a long time, I have believed that we need not only what is proposed in the Cut, Cap, and Balance bill, in terms of an immediate reduction in spending, caps on spending in the future years, but also a balanced budget amendment to the Constitution. That is something I have campaigned on my entire political career. I believe it is necessary.

Washington has not demonstrated in the past the political courage that is necessary to get spending under control. The consequence of that is we now have a Federal debt that is over \$14 trillion, and we are actually talking about raising the borrowing authority of this country simply because we get further and further into debt every year. We are running \$1 trillion deficits, and at that rate you are obviously going to continue to accumulate enormous amounts of debt. It means getting your budget balanced. We don't do that around here. Most States—49 of them—have some form of a balanced budget amendment that requires them to make sure their spending doesn't exceed the amount of revenue they have coming in. I think that is needed.

When I first got to the Congress as a freshman Congressman in 1997, there was a vote in the Senate on a balanced budget amendment. It failed by one

vote. It needs two-thirds votes in the House and Senate, and then has to be sent to the States for ratification. If 38 States ratify, it would be added to the Constitution. We would have a requirement that the Federal Government balance its budget as so many States have to do every single year. Well, that vote in the Senate in 1997 failed by 1 vote. It got 66 votes in the Senate, which is 1 short of the 67 necessary to send it on to the House. At that time, I was a Member of the House of Representatives, and had the Senate passed it and sent it to the House, I believe we would have gotten a two-thirds majority in the House and been able to send it to the States.

What has happened in the last 15 years? At that time, the accumulated debt was \$5 trillion. Today, it is \$14 trillion. We have seen a \$9 trillion increase in the amount of debt. I can't help but think that had we had a balanced budget amendment in place, we would be much better off today.

The cut, cap, and balance approach strikes at the very heart of the issue, which is that this is fundamentally a spending issue that needs to be addressed in the near term by cutting spending, capping spending in future years, and putting in place the mechanism that requires Congress to have the discipline to balance the budget for future generations. I hope we will get an affirmative vote when the time comes, and that my colleagues will support the measure I think will get this country back on a sustainable fiscal track and create prosperity for this generation and future generations, as well.

I yield the floor and suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. CONRAD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. CONRAD. Mr. President, I rise today to discuss the legislation that has come over from the House of Representatives which, I must say, I consider to be some of the most ill-considered legislation I have ever seen come over from the other body. This legislation has been hastily thrown together, has never had a hearing, and yet proposes to amend the Constitution of the United States in dramatic and draconian ways. This is truly dangerous business.

I have been a part of the fiscal commission, and I was part of the majority that supported its conclusions to reduce our debt from what it would otherwise be by \$4 trillion. Eleven of us supported that plan—five Democrats, five Republicans, and one Independent. I have been a part of the Group of 6—three Democrats and three Republicans—and we have released our plan

to reduce the debt from what it would otherwise be by \$3.7 trillion. I have been part of putting out the Democratic Senate Budget Committee plan, and I am proud to say it would reduce the debt from what it would otherwise be by \$4 trillion.

In my entire career, 25 years in the Senate, I have consistently spoken of the dangers of deficits and debt and the risk of the debt threat to our country. I believe passionately that we have to find a way to come together to reduce the danger of these runaway debts. But this legislation that has come over from the House cannot be the answer. It is not bipartisan. In fact, it is super-partisan. It is totally done on one side of the ledger. It will not pass, it will not become law, and it should not.

Now, let's understand the context within which we are operating. First of all, as a country, we are borrowing 41 cents of every dollar we spend. Our gross debt is now 100 percent of our gross domestic product. The best economists in the country have warned us that once we get to a debt that is more than 90 percent of our gross domestic product, our future economic prospects are in danger. Future economic growth is reduced. That is why I have been deeply involved in every serious bipartisan attempt to reduce deficits and debt.

This proposal that has come over from the House—not having had a single hearing in this body, not one—is truly radical. Again, I say to my colleagues, we have an urgent need to act, but we shouldn't panic. Unfortunately, I think that is what the House did when they sent us this half-baked concoction of ideas that don't hold together, that don't add up, and that would actually further threaten the economic recovery.

There is no denying we face a debt threat. This is what the Chairman of the Joint Chiefs of Staff said in June of last year:

Our national debt is our biggest national security threat.

Now we have had the rating agencies warn us that if we don't act, if we don't get our debt and deficits under control, they are going to downgrade the rating of U.S. debt—the rating of how the markets respond to our debt offerings. That would have a very serious impact on what we pay to borrow money. Remember, for every 1 percent increase in the interest rates we pay, it adds \$1.3 trillion to the debt.

Here is what one rating agency has said:

We may lower the long-term rating on the U.S. by one or more notches into the AA category in the next 3 months, if we conclude that Congress and the administration have not achieved a credible solution to the rising U.S. Government debt burden and are not likely to achieve one in the foreseeable future.

That is why I joined the Gang of 6 some 6 months ago, to produce a bipartisan plan to deal with the debt threat. And we have released that plan now—

three Democrats, three Republicans. Many more of our colleagues on both sides have joined and said they are with us. So we have a way forward, but it is certainly not the legislation that has come over from the House of Representatives that we are considering today.

The House legislation would restrict the ability to respond to economic downturns and actually compound declines. It uses Social Security funds to calculate balance and subjects that program to the same cuts as other Federal spending, even though we all understand that is totally separate from the rest of the budget. It shifts ultimate decisions on budgeting to unelected and unaccountable judges. What a mistake that would be. It requires a State ratification process that could take years to complete.

We don't have years to deal with this problem. I am afraid the House legislation is mostly political theater that has been sent to us rather than a serious response to the problem. But perhaps most alarming, the proposal before us could turn a recession into a depression. We need to think very carefully how we respond to this debt threat, and then we need to react in a serious and credible way, and we have to stand together with our colleagues.

That is why I was proud to be a part of the fiscal commission, because we produced a plan that would get our debt under control and start reducing it. There were 11 of us—five Democrats, five Republicans, and one Independent—and a majority of that commission agreed to that plan. It is why I have been proud to be part of the Gang of 6 in the Senate—three Democrats, three Republicans. We have produced a plan to control our debt and to begin to work it down. None of those plans, and none of the other bipartisan plans, would risk turning a recession into a depression. But that is exactly what the legislation from the House would do.

Now, why do I say that? Well, here is one of the most respected scholars in this town. He is from the American Enterprise Institute. He called the balanced budget amendment that has come from the House a really dumb idea. This is what he said:

Few ideas are more seductive on the surface and more destructive in reality than a balanced budget amendment. Here is why: Nearly all our states have balanced budget requirements. That means when the economy slows, states are forced to raise taxes or slash spending at just the wrong time, providing a fiscal drag when what is needed is countercyclical policy to stimulate the economy. In fact, the fiscal drag from the states in 2009–2010 was barely countered by the Federal stimulus plan. That meant the Federal stimulus provided was nowhere near what was needed but far better than doing nothing.

Now imagine that scenario with a Federal drag instead. Mr. Ornstein doesn't just imagine that, the Washington Post, in an editorial from last Friday, said:

Rewriting the Constitution is the wrong way to deal with the debt.

Let me just reference, from their second column, these words:

Worse yet, the latest version would impose an absolute cap on spending as a share of the economy. It would prevent Federal expenditures from exceeding 18 percent of the gross domestic product in any year. Most unfortunately, the amendment lacks a clause letting the government exceed that limit to strengthen a struggling economy. No matter how shaky the state of the union, policymakers would be prevented from adopting emergency spending, such as the extension of unemployment insurance and other countercyclical expenses that have helped cushion the blow of the current economic downturn.

Two of the most distinguished economists in our country, Alan Blinder, the former Deputy Chairman of the Federal Reserve, and Mark Zandi, who was an adviser to JOHN MCCAIN's Presidential campaign, studied the government response to the latest financial crisis. Here is what they concluded:

We find that its effects on real GDP, jobs, and inflation are huge, and probably averted what could have been called Great Depression 2.0.

This amendment before us would have stopped the governmental response, which two of the Nation's most distinguished economists tell us averted Great Depression 2.0. Quoting further from the article:

When all is said and done, the financial and fiscal policies will have cost taxpayers a substantial sum, but not nearly as much as most had feared and not nearly as much as if policymakers had not acted at all. If the comprehensive policy responses saved the economy from another depression, as we estimate, they were well worth their cost.

This amendment that is before us now would have prevented this response and would have prevented averting a Great Depression.

Here is the work of Zandi and Blinder with respect to what would have happened to jobs absent the Federal response. Jobs with the Federal response, the green line; jobs without the Federal response, the red line: 8 million fewer jobs without the Federal response to prevent a depression. Unemployment, what would have happened without the Federal response, according to this detailed study by Zandi and Blinder: Without the Federal response, unemployment today would be about 16 percent instead of the 9 percent we are experiencing. We would be in a depression. That is the hard reality. The amendment before us would have prevented that kind of governmental response.

They call this plan cut, cap, and balance. They should have called it cut, cap, and kill Medicare, because that is what this plan would do; it would cut, cap, and kill Medicare.

Why do I say that? Well, if we look at the House budget proposal that underlies this plan, we see what happens under traditional Medicare. Under traditional Medicare, the beneficiaries would pay 25 percent of their expenses. Under the Republican budget plan that underlies the amendment that has

come before us, Medicare beneficiaries would pay 68 percent of the expenses of their health care. In other words, somebody who is Medicare eligible, qualifies for the program, pays their required costs, pays their required copays, pays their required premiums, pays 25 percent of the cost under the plan. With the Republican plan from the House, that would increase to 68 percent. That stands Medicare on its head. Instead of Medicare, as normal insurance does, paying the lion's share, individuals would pay the lion's share of their health care expenses.

The underlying House Republican plan that underlies this amendment would increase the out-of-pocket costs to a Medicare beneficiary from \$6,000 to \$12,500. That would be health spending for a typical 65-year-old Medicare beneficiary in 2022. Instead of paying \$6,000 under current law, they would pay \$12,500.

Somebody who has been following the details will look at these numbers and say, Well, Senator CONRAD, what you have outlined there is the House Republican plan. And what has been sent you in an amendment actually is even more draconian than the House Republican plan. It goes even further. It cuts Medicare even more. And, yes, that is true. I have understated very substantially the devastation that would be done to Medicare under the amendments before us. But how can that be? Well, here is how it can be.

The red line shows the spending under the House GOP budget. But in this amendment, in this legislation that has come to us, not only did they adopt the House Republican budget, they then trump it. They then override it with a constitutional amendment that goes even further.

Here is the spending under the House Republican plan. It goes from 24 percent of GDP down to 19.9. Then it is leapfrogged by the provisions of the constitutional amendment that would take spending down to 18 percent of GDP. From 24.1 to 18, that is a 25-percent cut if you took the cut across the board.

But their plan doesn't take the cut across the board. It shields certain things. So the cuts to those things that aren't shielded have to be more draconian and even deeper.

Visually I thought I should produce a chart that shows what would happen if you had to reach the limit that is in the constitutional amendment that is before this body today.

With an 18-percent cap on all gross domestic product spending, here is Social Security. That is 5 percent of gross domestic product. Defense and other nonhealth spending, as you can see, takes you well over 15 percent. Then you have interest, and you are at their cap. There is no money for Medicare. There is no money for Medicaid. There is no money for any of the other health care accounts. If they hold harmless Social Security, defense and other nonhealth spending, and of course we have

got to pay interest on the debt, there is nothing left over. That is why I call this cut, cap, and kill Medicare. I should have added cut, cap, and kill Medicaid. Cut, cap, and kill every other health care account.

This plan caps spending going forward at draconian and unrealistic levels. It fails to account for the retirement of the baby boom generation and rising health care costs. Perhaps more remarkable, it provides no war funding for 2013 to 2021. Nothing.

Let me repeat that. This plan that has come over from the House is so ill-considered, so hastily thrown together, so lacking in credibility that they provide for no war funding after 2013. Does that mean they are advocating bringing all the troops home from every location everywhere around the world? Well, I am certain not, because that is not the position they have taken. But they don't provide any money for it.

I don't know who slapped this thing together, but they weren't very careful in what they did. None of it adds up. It is totally make-believe.

This is not make-believe. This is what is going to happen to the number of people who are eligible for Medicare and Social Security running up to 2050: The number of people eligible is almost going to double. That is a demographic tidal wave that is a reality. It is not a projection. These people have been born. They are alive today. They are going to retire. They are going to be eligible. This amendment before us makes no provision for them.

So what is going to happen? They are going to shred Medicare, they are going to shred Medicaid, and they are going to put at risk Social Security. That is as clear as it can be.

Here is the reality we confront today as a nation. Spending as a share of GDP is the highest it has been in 60 years, but revenue as a share of GDP is the lowest it has been in 60 years. Both of these are facts, both of these are true. Our friends on the other side are saying you cannot touch the revenue side of the equation, even if it is closing tax havens, going after abusive tax shelters, going after tax scams that proliferate the Tax Code today. They say, Oh, no, you can't touch that; you can't make any changes on the revenue side of the equation, even though the revenue is the lowest it has been in 60 years as a share of our national income. They say it would take a two-thirds vote, and they would put it in the Constitution of the United States that they would require a two-thirds vote to close any tax haven, any tax shelter, any abusive tax scam would take a two-thirds vote.

That is not what I learned when I was growing up about the Constitution of the United States. It didn't say anything about protecting those who engage in tax scams and tax havens and abusive tax shelters. But that is what this plan would do.

The Washington Post back in May did an analysis: How did we get into

this ditch we are in of runaway debt and runaway deficits? How did we get into this position? Their conclusion after this study was that:

The biggest culprit by far has been an erosion of tax revenue triggered largely by two recessions and multiple rounds of tax cuts. Together, the economy and tax bills enacted under former President George W. Bush, and to a lesser extent by President Obama, wiped out \$6.3 trillion in anticipated revenue. That is nearly half of the \$12.7 trillion swing from projected surpluses to real debt. Federal tax collections now stand at their lowest level as a percentage of the economy in 60 years.

This amendment before us would require a two-thirds vote to do anything about it? Let's get serious.

As I say, I have been part of every serious bipartisan effort here over the last 2 years to come up with a plan, to get our debt under control. So, yes, cut spending; yes, reform entitlements; yes, get the revenue base recovered so we can reduce our debt. But this plan before us is a disaster.

Let's look at reality. The last five times the budget has been in surplus in the last 40 years, revenue has been close to 20 percent of GDP. This plan would require a two-thirds vote to increase any revenue. Revenue is at 14.8 percent of GDP. Wow. You talk about consigning this country to an endless round of economic uncertainty and an undermining of the economic position of the United States, vote for this thing.

Martin Feldstein, who is one of the most conservative economists in the country, has said we have got to take on these tax expenditures. Tax expenditures now amount to \$1.1 trillion a year. We are spending more through the Tax Code than we are in all appropriated spending every year, and yet this amendment would require a two-thirds vote to change any of those tax expenditures, to close any of the tax loopholes, to go after any of the tax havens and abusive tax shelters.

Here is Martin Feldstein, Professor of Economics at Harvard, Chairman of the Council of Economic Advisers under President Reagan. This is what he said:

Cutting tax expenditures is really the best way to reduce government spending. Eliminating tax expenditures does not increase marginal tax rates or reduce the reward for saving, investment or risk-taking. It would also increase overall economic efficiency by removing incentives that distort private spending decisions. And eliminating or consolidating the large number of overlapping tax-based subsidies would also greatly simplify tax filing. In short, cutting tax expenditures is not at all like other ways of raising revenue.

Interestingly enough, every bipartisan commission has come back and said, as one part of dealing with our deficits and debt, we ought to reduce tax expenditures. It is spending by another name. But do you know what. The legislation before us would require a two-thirds vote to change any of these tax expenditures because it raises revenue. It raises revenue, so they are against that.

Here is where the tax expenditures go. The top 1 percent get 26 percent of the value of tax expenditures. These loopholes that have proliferated have gone to the very top. We are going to have to reform this Tax Code, take out the junk, and at the same time we are going to have to go after these offshore tax havens and tax shelters that some of the very best off among us, the most fortunate, are using to dodge what they legitimately owe in this country.

They call this legislation cut, cap, and balance. They should have called it preserve, protect, and defend tax havens and tax shelters because that is, in effect, what it would do. They say if we go after these tax havens and these tax shelters that is a tax increase. That increases revenue; therefore, it should take a two-thirds vote to do anything about it.

Let me say to my colleagues, this is a little five-story building down in the Cayman Islands. It claims to be home to 18,857 companies. They all say they are doing business out of this little building. This is the most efficient building in the world. It is unbelievable: 18,857 companies say they are doing business out of this little building. That is a remarkable accomplishment, to be running 18,000 businesses out of this little building. How can that possibly be?

Of course it is not. The only thing they are running down there is a giant tax scam on all the rest of us who pay what we owe. By the way, it has no taxes that apply to these businesses. We are not down in the Cayman Islands. We are right here. We are filing our taxes, and we are paying them. These companies are dodging theirs. If anybody doubts that this has become a huge hemorrhage for the U.S. Treasury, here is what our own Permanent Subcommittee on Investigations has found:

Experts have estimated that the total loss to the Treasury from offshore tax evasion alone approaches \$100 billion per year, including \$40 billion to \$70 billion from individuals and another \$30 billion from corporations engaging in offshore tax evasion. Abusive tax shelters add tens of billions of dollars more.

Before we raise taxes one thin dime on any of the rest of us who are paying our taxes, let's go after these folks who are dodging their responsibilities and their obligations. This amendment before us would require a two-thirds vote to do it.

That is not the end of it. Here is what happened to the tax rates of the most wealthy 400 families in the United States, their effective tax rates since 1995. In 1995 their effective tax rate was 29.9 percent. By 2007 it was down to 16.6 percent. The wealthiest among us have had their tax rates about cut in half. I don't know about you, but I didn't have my taxes cut in half. The vast majority of Americans did not have their taxes cut in half. But with the help of well-placed lobbyists here, those who are the most fortunate have had their effective tax rates cut in half.

This amendment before us would say it would take a two-thirds vote to change that. That is why I say this amendment should be called preserve, protect, and defend tax havens and abusive tax shelters.

The last time the top rate was 39.6 percent we experienced the longest period of uninterrupted economic growth in U.S. history. Those who say if we raise any revenue we kill jobs—really? That is not what history shows. The last time we had a comprehensive plan to cut spending and raise revenue to reduce the debt—during the Clinton administration—we kicked off the longest period of uninterrupted economic growth in U.S. history: 39 straight quarters of economic growth, 32 of those quarters during the Clinton administration, and 24 million jobs were created.

Dealing with the deficit and the debt in a balanced and comprehensive way does not kill jobs. It creates the climate for the creation of jobs because it improves the competitive position of the United States.

I have been part of three plans to reduce this debt from what it would otherwise be by \$4 trillion. The fiscal commission plan—I served, 11 of us, 5 Democrats, 5 Republicans and 1 Independent endorsed that outcome. I was part of the Group of 6, 3 Democrats and 3 Republicans.

We produced a plan to reduce the deficit and debt from what it would otherwise be by \$3.7 trillion. I was part of the Democrats on the Senate Budget Committee that unveiled a plan to reduce deficits and debt from what they otherwise would be by \$4 trillion. So I have been happy to be part of bipartisan efforts, efforts just on our side of the aisle, and interestingly enough every single commission has come up with a package of about \$4 trillion in deficit savings.

I think the Group of 6 did yeoman's work, bringing the deficit down from 9.3 percent of GDP, down to 1.9. Yes, we have revenue; yes, we have spending cuts; yes, we reform entitlement programs—because all of that is necessary. This legislation before us says: Whoa, wait a minute. We don't want to do it all. We want to focus on just part of it. This problem is too big to try to solve it with just part of the Federal fiscal picture. It is going to take all parts to solve this problem.

The Group of 6, I am proud to say, came up with a plan that stabilizes this debt and begins to bring it down, avoiding this skyrocketing debt we are otherwise going to experience. This legislation before us would stop it in its tracks. I think that would be a profound mistake.

I hope my colleagues reject this ill-considered plan.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Texas is recognized.

Mrs. HUTCHISON. Mr. President, I rise to speak in favor of the plan that

is before us, the Cut, Cap, and Balance Act. I also think there are some very important achievements in the Group of 6 proposal. It is a proposal. It is not legislative language. It has many things in it that are very good. It has tax cuts, it has entitlement reform, it has spending cuts. It is a complicated outline and one that needs to be fleshed out to know exactly what is in it, and it has some areas with which I disagree. I certainly want to assure that we keep the 15-percent capital gains and dividends rate. But we also have another proposal that I think has great merit.

I think the bill that has come over from the House, the Cut, Cap, and Balance Act, puts even more together on the issues that we are all trying to address. What we need are spending cuts that are real, not proposed down the road or promised. That is what the Cut, Cap, and Balance Act will do.

We all know we have a \$14.3 trillion debt ceiling that is getting ready to be hit sometime in the month of August. What we need to do—in this Senate, in the Congress, and, certainly, hopefully, the President—is give confidence to the markets. That means we do two things: We raise the debt ceiling. We don't default or even scare people that we are going to default, with reforms that will assure that we will not ever have to do it again. That is what we must do to send a message to the markets that we are going to get our fiscal house in order, and we are going to assure that our debts are paid, that the people who work on Federal contracts and our military and Social Security recipients will get their paychecks. We have to assure the market. To raise the debt ceiling we have to show we are going to cut back on spending. That is the key.

We have to tackle the core problem. We have to stop spending too much, borrowing too much, and taxing too much. We do not have a taxing problem in this country, we have a spending problem. We are not being taxed too little, we are spending too much.

With \$2.2 trillion in tax revenue collected, the Federal Government has the ability to live within its means. We must prioritize and we must make sure we get a private sector economy that will hire people.

I can tell you, small businesses are not hiring because they are terrified of the health care bill that was passed last year. They are terrified of the costs involved. Second, they are looking at people in Washington talking about more taxes, and they are saying: I am freezing right now. I am not going to take a chance that I am going to hire a new employee who is going to cost more than the productivity we can add to our business and keep going.

The cut, cap, and balance bill would make significant spending cuts now. It also requires the passage of a balanced budget amendment to the Constitution. It takes a two-thirds vote of both Houses to do that, but we need to do it. We need to put the Federal Govern-

ment on the same kind of fiscal constraint that almost every State in our Nation has; that is, a constitutional requirement that we have a balanced budget, that we do not borrow for operational expenses.

We can borrow for long-term projects, bonds—absolutely. But we are not going to borrow for our immediate needs. That is what kills the governments that overspend, of which the U.S. Federal Government is one. We need to have the balanced budget amendment that is in this bill passed, knowing that it is not going to be an immediate fix because the States would have to ratify it.

More than half the States will have to ratify a constitutional amendment. In that constitutional amendment we have an 18 percent of gross domestic product cap on Federal spending because that will put our fiscal house in order. We know that is long term. Certainly, we want to get started on that long-term constitutional amendment fix because once we do it and once the States ratify it—and I believe they will—then we will have the ability to assure future generations that we will never be in the fix we are in now.

Today the Federal Government is spending 24 percent of GDP. The 40-year average is 20.6 percent. We have about a 3-percent increase in the Federal spending level that is juxtaposed against a gross domestic product. If we put a spending cap of 18 percent in a constitutional amendment, we will have time to start drawing that down so it will not be an immediate hit. In fact, the bill that is before us has a gradual decrease in the caps on spending. We have the constitutional amendment part, that is the balance part.

We also have a cap in the bill that is before us. It is not an immediate cut, 18 percent, but it does ratchet down: 21.7 percent in the year 2013, 20.8 percent in 2014, and so forth until we get to 2021 which would have a 19.9-percent spending cap as a percentage of gross domestic product. It is a gradual cut between 2013 and 2021, in the cap on Federal spending. I think that is a responsible approach, and that is why I am fully supporting this bill. That is the cap part. We have the cut part that is real cuts. We have the cap part that puts the lid on spending going forward, and then we have the balanced budget part, which goes to the States and goes through our constitutional process to put us in the same situation most States are in; that is, with constitutional provisions that they have balanced budgets.

One of the most valuable economic lessons we have in this country—because we have learned from history—is we cannot spend our way out of debt. That is the worst remedy. If you are a family in debt, you do not keep spending and you do not put a freeze on spending either, which is what was suggested in President Obama's budget. He said: We will just freeze at 2011 levels. But 2011 levels are inflated. Because of

the huge stimulus bill that was passed we have an inflated level and we say let's freeze there. No; we need to freeze at a lower level. We need to start ratcheting down the spending in this country in order to assure that we start going toward a balanced budget. The Cut, Cap, and Balance Act is a reasonable way to cut spending now so we will not have that debt ceiling lifted again because we will bring down the deficit and not hit that debt limit again. So we bring down the deficits with immediate spending cuts, then we go forward with a cap that starts at 21.7 percent in 2013. Knowing we are at 24 percent now, we have to have those immediate cuts to start getting down to the reasonable level.

There is one more thing we need to do that is not in this bill but is something that if we are going to have the long-term debt reduction, we have to look at the entitlements and expenditures because our discretionary expenditures are roughly 30 percent of the total expenditures of our country. So we know we are out of kilter right now in Social Security because the actuarial tables have not been kept up-to-date. When Social Security was passed, the average man lived to be about 60 years old. Today, the average man lives to be about 77. We are going up—and thank goodness—with the life expectancy and quality-of-life. So if we are going to get our fiscal house in order, we do need to address that. We need to have a very gradual increase in the retirement age.

I have proposed a Social Security reform bill that does adjust the COLA, and it also has a gradual increase in the age of retirement. It stops at 69. The other thing the Gang of 6, or the Group of 6, did that I thought was very positive is, it put everything that depends on a cost-of-living adjustment in the Federal budget on a different calculation that is determined by economists to be a more realistic spending gauge, and it is the CPI, the Consumer Price Index. The CPI is adjusted in the Group of 6 proposal that will bring down the costs and will be a more realistic COLA, cost-of-living adjustment. So it is very important we look at that as one of the good parts of the Gang of 6, or Group of 6, proposal because it puts it more in line with reality, and it also will save money on the other end on the long-term strategy that we must have to adjust our fiscal requirements to meet the needs and the revenues that are coming in. The tax cuts that are also in the Group of 6 proposal will help spur the economy, and along with the spending cuts, will bring our debt interest requirements down. The cost-of-living adjustments are very minor but will have an impact over the long term. These are some of the good things that are out there.

Let me say in conclusion, we have had several of our leaders make proposals. We had Senator REID and Senator MCCONNELL put out a proposal. Of course, there were critics on all sides of

that proposal. Then we had the Group of 6 that came out with a proposal and there were people who criticized that immediately. I think we need to take the nuggets of these proposals—which there are some very good parts of the Reid-McConnell bill and there are some very good parts of the Group of 6 proposal—and let's not criticize people for putting forth ideas because that is how we start coming to a conclusion about what is the best proposal. To criticize the people who have come forward with very bold plans is a huge mistake, and I think it is unfair to those who have put something out to say: Oh, that is a terrible plan and we would never vote for it. Are you kidding? I mean, we need to come together with all the plans.

I am supporting this one, the Cut, Cap, and Balance Act, which I think came mostly from the House and some of our Senators. It is very solid. I certainly think Senator REID and Senator MCCONNELL didn't want us to come to August 1 and have no endgame. So they were preparing something that has some merit. They have a 302(a) allocation in theirs that is basically a cap on spending. We need to have that, and that part of their proposal is very sound. Then the Group of 6 has tax cuts as well as spending cuts and some adjustments in the mandatory spending side, the entitlements. We have to have those ideas all on the table.

Instead of being negative about everything, let's take some of the good parts we like and see if we can come to a consensus on those. That is what we have to do if we are going to have an end result that will assure our obligations are paid sometime in August when the true debt ceiling is hit. I think it is later in August. That is what is in conflict right now. I think it is later in August, and if we are going to meet those requirements that we have as elected Members of Congress, we are going to have to find some way to get there with the reforms that are necessary to give confidence to not only the people who hold our debt but to the markets that would assure that our economy is not going to collapse under the heavy burden of this debt. The reforms are a necessary element to lift the debt ceiling or we will not be sending the right message to our debtors nor to the people who might start hiring and getting this 9.2 percent unemployment down.

I hope we can have a very strong, positive vote on the Cut, Cap, and Balance Act. We need to address these issues. Let's put it all together and let's start talking about what we have to do when that debt ceiling is reached, and this is a good start.

I yield the floor.

Mr. ALEXANDER. I ask consent to speak for up to 15 minutes.

The PRESIDING OFFICER (Mr. BROWN of Ohio). Without objection, it is so ordered.

Mr. ALEXANDER. Mr. President, I congratulate the Senator from Texas

for her remarks, for her leadership, for her willingness to be involved in and support a variety of ways for us to meet the two goals we have before us, one of which is to make a significant step to reduce our Federal debt, to stop Washington from spending money it doesn't have; second, to do so in a way that honors the financial obligations of the United States of America, the most creditworthy country in the world.

The Cut, Cap, and Balance Act, which has passed the House and has 37 cosponsors in the Senate—I am proud to be one of them—I think is a superior piece of legislation. I hope when we vote on it, it gets a majority of votes in the Senate and becomes law. Before I speak about the Cut, Cap, and Balance Act, I would like to speak for a moment about those two goals that are before us as we consider our debt, consider our financial obligations, and consider all of them up against what is said to be a point on August 2 where the debt ceiling needs to be increased.

As I think about those two goals, reducing our debt, honoring our obligations, I think about a friend of mine in Tennessee who pays his bills out of a cigar box. This is how it works: A bill comes in to my friend and he puts the bill in a cigar box. Then another bill comes in and he puts that bill in a cigar box. Then the next week maybe some money will come in. So my friend will reach down to his cigar box and he will pull a bill out and he will pay that bill. Then, when a little more money comes in the next week, he will reach down and pull out another bill and pay that bill. My friend pays his bills out of a cigar box. Now what happens to my friend if he wants to go down to the local bank and says: I would like to borrow some money in order to pay all the bills I have in my cigar box.

I think what the banker is going to say is: I am sorry, my friend, but we are reluctant to loan money to you or, if we do, we are going to charge you more for it because we don't know whom you are going to pay. You might reach into your cigar box and pay the whiskey store instead of the bank. You might pay the grocery store instead of the principal on your loan. You might pay the service station before you pay us. So because you selectively pay your bills out of your cigar box, you are not a good risk. We are going to charge you more to borrow money or we are not going to loan you money at all. That is the risk we take if we play around with this idea of the United States of America—the most creditworthy country in the world—selectively paying its bills, going from being the most creditworthy country to being a country that pays its bills out of a cigar box.

There are three obvious reasons why we should not do that. Reason No. 1 is, it is going to cost us more. Today, the United States of America can borrow money for 10 years at about 3 percent. We are so creditworthy—people trust us so much to pay our obligations—that they will give us money for a

short period of time at no interest. It is a tremendous advantage to us. The United States has the most risk-free credit in the world, and I might add the most risk-free credit in an increasingly turbulent world.

What if we decided after August 2, when we are told sometime in that month we will begin to not have enough money to pay all our bills, what if we decided not to raise our debt ceiling and that we would pay our bills out of a cigar box? We might say: OK. We don't have enough money, so we will pay China before we pay grandma her Social Security. Oh, better not do that. In fact, I saw a fellow in Portland, TN, on Monday and he said: What is this about my Social Security not being paid? I said: I think it will be paid. It might be two or three days, but the telephone calls would come in and Congress will fix it and it will get paid. He said: It better not be 5 minutes.

So we might want to pay all of our Social Security benefits, but the President might say or the Secretary of Treasury might say: Well, we will pay grandma her Social Security, but we won't pay the wife of the soldier at Fort Campbell who is in Afghanistan on his third tour. That is not such a good idea. So maybe we won't pay the veteran's benefit. We will pay the wife. That doesn't sound so good, either.

What about those 12 million, 15 million students who are headed off to college in the next few weeks with a student grant or a student loan from the government? Should we pay just those going to public colleges and let the private colleges take care of their own—just the for-profits, not the nonprofits?

We see what could happen if we have a country that—especially a country such as the United States—instead of paying all of its obligations on time, whether it is to China or Japan or to grandma or to the veteran, begins to selectively pay those bills when we have the money. I think I know what would happen. Instead of being able to borrow money for 10 years at 3 percent, we might have to pay a little more for it. Let's say it just went from 3 percent to 4 percent. What would that mean to us? It would mean, according to the Congressional Budget Office, the taxpayers would have to pay \$1.3 trillion more in interest over 10 years. So if it goes up 2 percentage points to 5 percent, it is twice that. That is what happens when we pay our bills out of the cigar box.

It is not just the taxpayers. My son said to me the other day: Dad, my mortgage loan resets in October. If you all don't work this out, it means my interest rate might go up.

Let's say he has a \$100,000 house loan, and it goes up 1 percent. That gets to be some money for him. So if it is a credit card loan, if it is a home loan—whatever loan it is, it would begin to go up. Paying our bills out of a cigar box would raise our costs.

There is a second obvious reason not to do this. In 2008, we were smacked in

the face with a world economic crisis. We didn't expect it. Most of us didn't cause it, but we had to deal with it. Here in the Congress, we had to do some very unpopular things: We had to bail out banks, even some industries. The American people hated that, even though most of the money has been paid back. We don't know what we averted—probably a much worse problem—but we are still suffering from what happened in 2008. But we didn't do that deliberately.

In this case, if we were to deliberately go from being the most credit-worthy country in the world to a country that paid its bills out of a cigar box, we would be deliberately injecting uncertainty into a turbulent world.

Look at Europe, with the eurozone trembling over the debt in Portugal and the debt in Greece, with sovereign nations perhaps having to bail out European banks.

Look at Japan, the third largest economy, in a 10-year recession, with a third of its powerplants closed after the tsunami, sweating through the summer, with an inability to sell their goods.

Look at China. China is a big success story, but it may be growing too fast. Its inflation is up, and it has a lot of unreported debt at the provincial level.

Look at our markets. We make trades in milliseconds, and twice in the last year we had sudden drops in the market which we couldn't explain for months. Do we really want to inject this level of uncertainty into the turbulence we have today and into the financial markets when we know we could avoid it? I think not.

Then there is a third reason, and this is a purely partisan reason. Maybe it is not even appropriate to talk about it on the Senate floor, but let's talk about it for a moment anyway.

The President has done a pretty good job of blaming his predecessors for problems, but lately people have said: Mr. President, we don't blame you for the problems you inherited, but we do hold you responsible for the decisions you have made to make it worse. You have made it worse with the health care mandates and higher individual health care policies. You have made it worse with the financial regulations bill. You have made it worse by not sending over the trade bills. You have made it worse with the high cost of energy. You have made it worse with your National Labor Relations Board appointments and undermining right-to-work laws. You have made it worse by doubling and tripling the debt.

People are listening to that. They agree with that. But what would happen if the Republican Party or the Democratic Party or any group of people have the primary responsibility for turning this country from a country that is the most creditworthy country in the world into one that pays its bills out of a cigar box? The President will say—instead of us saying, Mr. President, you made it worse, he will say, you made it worse.

There is every reason in the world to regard the debt ceiling decision we have to make as an opportunity to take a significant step to reduce the debt. We can do that while still honoring our financial obligations, and we should. And today we are talking about one of those ways to do it.

Republicans have offered—with Democratic cosponsorship in a number of cases—at least five major ideas for taking a significant step toward stopping Washington from spending money it doesn't have. There are five ways to do that:

There has been the Corker proposal, which is bipartisan and over 10 years would bring our spending, which is the real problem, from its present level—about 25 percent of our total output in the country—to about 20 percent, which is the historical level.

There is the balanced budget amendment, which is the most obvious solution for a nation that is spending more than it takes in. Families do it, States do it—balance their budgets, live within their means—and the Federal Government can do it. Over time, we can get back to the point where we were not many years ago, where we spend about the same amount of money we take in. As Governor, I know that for 8 years we did that. As a result, we have almost no debt in the State of Tennessee, and as a result of that, we can use our gas tax money, for example, to pay for roads instead of interest on the debt.

Then there is a third idea that has bipartisan support; that is, the Gang of 6, which came out this week. The President said it was a gang of seven. He thought I was in it. I would have to say with respect, Mr. President, I am a law-abiding citizen. I am not a member of any gangs. But I support what they do because I think it is a serious, bipartisan effort to help stop Washington from spending money it doesn't have.

Then there is another proposal which has bipartisan support that Republicans as well as Democrats have initiated. Senator ISAKSON from Georgia has taken the lead on it. It is the 2-year budget proposal which would allow us time every other year to focus our efforts on eliminating rules and eliminating regulations instead of adding so many.

So there are four ideas we have suggested—in some cases with bipartisan support—where we can take a significant step to reduce our debt while still honoring our financial obligations.

Today, we are talking especially about cut, cap, and balance. The legislation that passed the House of Representatives with 234 votes this week has come to the Senate floor. We are going to be voting on it in the next day or two. It has 37 cosponsors, and I am one of them. I especially commend Senator LEE for his work on putting this bill together and doing it in a way that would attract the largest amount of support.

This is a very reasonable proposal. The cut part is to say that for the first

year, we would spend a little less than we did last year. Now, that is a reasonable proposal. The State of Tennessee, where I was once Governor—the current Governor is presiding over a State that is spending \$1½ billion less than it spent last year. Now, they don't like to do that. There are some unfortunate consequences from it. But they still balanced their budget, they are still getting along, and they are hoping for the day when the economy recovers and they will have more revenues coming in without raising taxes.

So step one is to cut what we are spending today in next year's budget. Then we cap, according to the economic output of the country over the next 10 years, the amount we spend over those 10 years. Then the third step is to balance the budget—the most obvious solution of all—over time, to say we are not going to spend more money than we have coming in. This is our proposal to begin to control spending in a government that borrows 40 cents out of every dollar it spends, a government the economists tell us is costing our Nation 1 million jobs because of the high level of debt. This is an urgent problem. It urgently needs a solution.

In conclusion, almost all of us here in the Senate are good at making speeches. That is one way we get here. But we have not become as good at the rest of our job, which is to get a result. The American people expect us to do that. They have to do that in their everyday lives. So they respect our principles, they respect our speeches, but they know our principles sometimes conflict, and in the end, we have to have a result. We have to have a result here. We have to find a way, first, to significantly reduce the debt and, second, to do it in a way that honors the financial obligations of the United States.

I have suggested five ways we can do that, including cut, cap, and balance. In order to do that, it means each of us is probably going to have to accept as a part of the solution an idea that is not our first choice. But why should we be exempt from that requirement? That is what we have to do in a marriage. That is what we have to do in a family. That is what we have to do in a business. That is what we had to do in creating the Constitution years ago. This Senate wouldn't exist if it weren't because of a grand compromise. Otherwise, how could we justify two Senators from Wyoming and the same number of Senators from California, which is so much larger?

To get a result, after we make our speeches, we need to be willing to accept some ideas that are not our first choice. That is why I am a cosponsor of several different kinds of ideas—cut, cap, and balance, the Corker proposal, the Gang of 6 proposal. That is why I support the Isakson-Shaheen effort on the 2-year budget. That is the kind of attitude we need in the next couple of weeks.

Cut, cap, and balance is a good way to meet our two urgent goals: take a

significant step to reduce our debt and do it in a way that honors our financial obligations.

We are perfectly capable as a country of fiscally disciplining ourselves. We are capable of reducing our debt and of stopping spending money we don't have and, at the same time, avoiding turning the most creditworthy Nation in the world into a country that pays its bills out of a cigar box.

Thank you, Mr. President. I yield the floor.

Mr. SCHUMER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. SCHUMER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SCHUMER. Mr. President, as we spend the day debating the Republican plan to cut, cap, and kill Medicare, a plan that is dead on arrival in the Senate, it has become obvious what the true question of the day is. That question is, Will we as a nation allow ourselves to be driven into default and financial calamity by a small group of extreme rightwing ideologues in the House GOP?

It has become increasingly clear that this group of ideologues has grabbed the reins and is refusing to let go, no matter who tries to pry their fingers off. It is clear that this uncompromising group of narrow ideological Congressmen is the one thing standing in the way of raising the debt ceiling so our Nation does not default. It is the group that alone wants to drive the car off the cliff. We are now 11 days from defaulting on our debt, and for the last few months this small group, far outside the mainstream, has contributed nothing to efforts to reach a compromise.

The House GOP has rejected every form of compromise, from the Simpson-Bowles plan, to the President's \$4 trillion grand bargain, to the McConnell fallback plan, to, as of yesterday, the Gang of 6 framework. Instead, they have offered dangerous schemes such as the cut, cap, and kill Medicare plan that passed the House yesterday. Their "plan" would wreak havoc on our country's seniors and the middle class. It is not a serious proposal, it will never pass this body, and it is a waste of time.

While reasonable people are trying to come to a compromise, the House GOP is becoming increasingly isolated. Yesterday, for example, my colleague JOHN MCCAIN warned the House GOP that Americans do not want the government to shut down and urged them to learn the lessons of 1995. Then, close to a third of Senate Republicans signed on to a plan that would combine major spending cuts with new revenues—a balanced approach the House GOP has sworn off. And every day more voters

are abandoning them. As the L.A. Times reported this morning:

Republican resistance to compromise has turned a significant bloc of voters against them . . . frustrated members of their own leadership as well as establishment GOP figures.

So the House GOP is being criticized from every corner.

Then today we have what must be the most significant departure to date from the House GOP's fantasy-land. In a major development, antitax crusader Grover Norquist told the Washington Post that letting the Bush tax cuts lapse would not constitute a tax hike. This is a development the significance of which should not be underestimated. It is a recognition from Norquist that the House Republicans are increasingly isolated and have painted themselves into a corner. Norquist is trying to signal to the House GOP that their no-compromise position is untenable, deteriorating, and bad for their party and the country. The House GOP is on an iceberg that is melting into the ocean, and even Grover Norquist is offering them a lifeboat. The question is, for their own good and for the country's good, will they take it? I urge my colleagues in the House to accept this life-line. It is time to leave default-denier island and come back to reality.

The House Republican extremists—those who are way over to the far right—painted themselves into a corner, even to the right of Grover Norquist. Grover Norquist, the hall monitor when it comes to enforcing the Republican Party's antitax pledge, has given House Republicans a hall pass. They should use it. This is a coded message from one of the truest believers in the Republican Party that it is time for conservatives to step back from the brink.

Norquist has given us a potential path forward. If we decouple the Bush tax cuts now by only extending them for the middle class and not for millionaires and billionaires, we could have the foundation of a deal that includes revenues but does not violate the Norquist antitax pledge.

This decoupling strategy is what the President and Speaker BOEHNER were entertaining earlier in the context of a grand bargain, but Leader CANTOR and other rightwing hardliners forced the Speaker to walk away because they feared violating the antitax pledge. But now a deal on decoupling seems to have Norquist's permission, if not his blessing. We should revisit it.

It is time to recognize that the quickest, most effective and economically sound way to reduce our deficit and debt is a balanced approach that both cuts spending and raises revenues—a plan that mirrors every other successful deficit reduction deal in our Nation's history, a plan along the lines of the ones negotiated by Presidents Reagan, Bush, and Clinton.

I hope my colleagues in the House GOP see the danger of the path they are going down and change course be-

fore they take the entire country down with them.

Mr. REID. Will my friend yield for a question?

Mr. SCHUMER. I would be happy to yield to the distinguished majority leader.

Mr. REID. Mr. President, I ask permission to ask my friend a question through the Chair.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. REID. It is true, is it not, that the Senator served many years in the House of Representatives?

Mr. SCHUMER. Eight years.

Mr. REID. And the Senator understands the difference between the procedures in the House and in the Senate, does he not?

Mr. SCHUMER. I do, some.

Mr. REID. And in the Senator's years serving in the House of Representatives, he has seen how quickly things can move over there; is that right?

Mr. SCHUMER. That is absolutely right.

Mr. REID. And coming to the Senate, the Senator has seen how slowly things have to move here in the Senate; is that right?

Mr. SCHUMER. Indeed. I have learned that hard lesson.

Mr. REID. I say to my friend through the Chair that I see what is developing now as very, very bad for our country. It is hard to comprehend—I ask my friend this question—it is hard to comprehend how the House of Representatives, at the height of this fiscal crisis we have, has decided to take the weekend off. Is the Senator aware they have decided to take the weekend off?

Mr. SCHUMER. I have read that. Yes, I have.

Mr. REID. And it appears to me one reason to do this is to do indirectly what they cannot do directly; that is, we have—and I read them here this morning—statements from my friend the Speaker, JOHN BOEHNER, saying we cannot default on our debt; from the whip over there, ERIC CANTOR—or majority leader, whatever he is, second in command—saying we cannot default on our debt. I am saying to my friend from New York that it appears to me they are going to do indirectly what they cannot do directly by not sending us whatever they decide to do in time to get it done.

I think the country is staring in the face a default on our debt because of the House of Representatives being out this weekend. Would my friend comment on that?

Mr. SCHUMER. Yes. I think the leader has an excellent point. To not be here this weekend when the Nation stares at the first default in our 200-some-odd year history is amazing to me, that they would be gone. And when you think about it, either they do not care about defaulting on the debt—and we know Speaker BOEHNER does care about that default. I think he is aware of what terrible problems it would create for this country for decades to

come. So the answer must be what the leader is saying; that is, they hope to jam us at the last minute with something and say: Take it or leave it, which is playing with fire.

I can assure my colleagues in the House that is not how we are going to play ball here. There has to be a fair compromise, not something they come up with at the last minute and sort of toss it over here. That could create default, and if they do it, it would be on their shoulders.

Mr. REID. I say to my friend through the Chair that they may send us something well-intentioned, but I am not sure they understand the rules of the Senate. There are a number of people who are Republicans over here who have stated publicly that they think the debt should be defaulted upon. As my friend knows, most everything we do here is by unanimous consent and, if not by unanimous consent, by the rules of the Senate, which are very strict and very difficult sometimes to comprehend, but they are there.

So I am afraid that what is happening with the House leadership is they think they can send something over here and, as the majority leader, I can figure out a way to get it done. I cannot get it done if we have to follow the rules, which we have to follow, and I cannot get consent, and I cannot get consent on most anything I do around here. So I would like my friend to comment on that.

I appreciate my friend saying that Speaker BOEHNER is a good person. I agree with that. But I am not too sure that this is not an easy way out for everybody over there, that they could say: Well, we did what we wanted to do. I am sorry the Senate could not do it, so I guess our debt is defaulted upon, and we will close down all of the functions of this government and wait for a better day.

Mr. SCHUMER. Well, again, in answering the leader, first, the rules of the Senate would allow any single Senator—and we have a whole handful—to delay things day after day after day after day. Second, there are things out of any Senator's control. For instance, any proposal on an issue such as this would have to be scored by the CBO. We learned on the health care legislation that CBO cannot just sort of push legislation into a machine and an hour later say: Here is your score. It takes days and sometimes weeks. And the fact that just about every procedural motion can be filibustered and delayed means we are getting so close to the deadline that we would be in serious trouble.

Again, I repeat, I find it terribly disconcerting. It is hard to see anything but callousness toward the danger our Nation faces if we were to default by the House not being here this weekend because even a rudimentary knowledge of the House procedures—which I know the leadership of the House has—would indicate to them that if they do not get us something very, very soon and, in

fact, they do not sit and negotiate and compromise—which they have refused to do, driven by a hundred, perhaps, Congressmen, many of them new here, who sort of say: We do not care if we default—the consequences of default would be enormous and staggering and would not just go away in a month or two but would be with us for a decade. And here they are back home this weekend when America faces one of the greatest potential economic crises that we have faced.

So I very much thank the leader for bringing this up and asking these questions.

The PRESIDING OFFICER. The senior Senator from Massachusetts is recognized.

VISIT TO THE SENATE BY THE
PRIME MINISTER OF NEW ZEALAND,
RIGHT HONORABLE JOHN KEY

Mr. KERRY. Mr. President, I apologize to my colleagues. I know this has been previously scheduled, and I know the importance of what the Senator from New York is talking about, and the majority leader, and I completely agree with their comments and would like to share some thoughts on that at another moment. But at this particular moment, we are privileged to welcome here a great friend of the United States, the Prime Minister of New Zealand, John Key.

New Zealand is a country that is in enormous partnership with us at this time, assisting in Afghanistan, engaged in transpacific trade deliberations with us, and in many other ways contributing to one of the strongest and best global partnerships we have.

RECESS SUBJECT TO THE CALL OF
THE CHAIR

Mr. KERRY. Mr. President, I ask unanimous consent that the Senate stand in recess subject to the call of the chair so that colleagues might welcome the Prime Minister to the floor of the Senate.

There being no objection, the Senate, at 11:46 a.m., recessed subject to the call of the Chair and reassembled at 12:51 p.m. when called to order by the Presiding Officer.

CUT, CAP, AND BALANCE ACT OF
2011—MOTION TO PROCEED—Continued

The PRESIDING OFFICER. The Senator from Florida is recognized.

Mr. RUBIO. Mr. President, I ask unanimous consent that I be recognized to speak for up to 15 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. RUBIO. I was witness a few minutes ago to an interesting and informative exchange and wanted to comment on that briefly. Both the leader and the senior Senator from New York had

some comments that I think are important in the context of what is being discussed here today. But I wanted to come to the floor today because we have been getting a lot of phone calls and letters from people back home who are wondering—people—what this is all about. These are folks who are out working every day and raising a family and running their businesses. They want to understand what the debate here is about. They get the gist of it, that there is this debt limit fight, and that Congress, if it does not do anything, may not be able to pay some bills beginning August 2.

But what is behind all of this? The best way to explain it to people is to equate it to the lives of real people in the real world.

Every single one of us as adults has a credit rating. In essence, there are two or three companies out there that basically rate you as an individual. What they do is give you a credit rating that determines, No. 1, whether you are willing to pay back; and, No. 2, whether you have the money to pay people back. Based on that you get something called a credit score. People are familiar with that. Every time you try to go lease or buy a car or buy a house or anything on credit, they are going to run your credit. It is going to tell them: This is John Smith, this is so-and-so, and this is his credit rating. Based on that, people will decide whether to lend you money.

Countries have credit ratings too. It is based on two things. No. 1 is your history of paying people back; and, No. 2, on your ability to pay them back in the future.

There are three major companies in the world that give credit ratings to countries—three major companies. What those companies are saying right now is we are looking at America and we are worried. We are worried about two things. They are worried about this debt limit issue, and the fact that if the debt limit is not raised, they are going to downgrade us because we are going to miss payments on this, that, or the other. They are worried about that.

But they are a lot more worried about something else. It is not our willingness to pay back, it is our ability to pay back people who lend money to the United States.

Let me read you some of the quotes. This is from Moody's, which is one of the top ones. They write: "If the government avoids default, we will likely affirm America's AAA rating."

America has the highest credit rating in the world right now that you can possibly get. They say: If we avoid default, they will likely affirm our AAA rating, but they will still assign us on something called a negative outlook, unless there is—this is the money line—"a substantial and credible budget agreement to cut the deficit."

What they are basically saying is, if you raise the debt limit, you may temporarily avoid being downgraded, but