

him in 1986 on the last real tax reform. We cleared out all that junk, those little special interests and reduced rates, and he understands that process. He also understands one important thing which we're missing, which is more and more, we're using the tax code as our instrument of social policy. There isn't anything you can imagine we need to be done that we don't do it through the tax code instead of straightforward.

MR. RUSSERT: The Gore people say you're going to endorse him.

SEN. MOYNIHAN: Well, they may know more than I do.

MR. RUSSERT: Let me turn to tax cuts and surpluses. American people have read that there are record surpluses, Washington's awash with money. Why not give it back in the form of tax cuts the way the Republicans want to, the \$800 billion?

SEN. MOYNIHAN: Why not pay down the debt that quadrupled in the 1980s by people who cut taxes too much in the first place? Thought that would have a great change—effect on government. Then it didn't have any effect. This one good thing—we're all going to agree at this table; I'll make this bet right now—that we have the next 10 years, about \$1.9 billion in Social Security surplus, the payroll tax brings in more money than goes out. I think we're going to save it. I think we've all agreed to that. That's hardly been noticed. It will cut the national debt by more than half, cut the interest on the debt, which is now the third-largest—last year, it was the third-highest item in the budget: Social Security and military, interest. And if we do that, we've done a good day's work—good year's work. And I'd like to suggest that we might be best off if we just quit now, went home and let nature take its course.

MR. RUSSERT: No tax cut at all?

SEN. MOYNIHAN: No, there's no need for a tax cut.

MR. RUSSERT: Senator Fritz Hollings, what's your view? Do you want a tax cut now or do the Republicans have it right by giving the American people \$800 billion back in the surplus, tax collections that the government took in?

SEN. HOLLINGS: Well, I wish we had it. I've got the analysis of both budgets, the president's budget as he put it out, and the Congressional Budget Office of the Con—Congress' budget. On page 42 of the president's budget, the analysis shows that the deficits go up, up and away. There's no surplus. In fact, on page 43, over the 15-year period, the debt increases some \$2 trillion, and similarly with the Congressional Budget Office.

My friend Senator Moynihan just a minute ago said that we're going to save that Social Security. The CBO shows that they're going to have a deficit in Social Security at the end of 10 years of \$2.7 trillion. That's

what we will owe. They talk about saving, Tim, but they don't save. We already owe Social Security some \$800 billion, and at the end of 10 years, they're going to spend it, and we're going to owe them \$2.7 trillion. So while they're all standing around talking about how they're going to really—while Greenspan is trying to, you know, unheat the economy, everybody's sitting around trying to argue whether we're going to start the fire with a match or set it aflame with a blowtorch.

MR. RUSSERT: Senator Hollings, do you agree with Senator Moynihan? You should go home and just not cut taxes?

SEN. HOLLINGS: That's right. That's exactly right. In fact, we got 35 Democratic votes for that Thursday afternoon to pay down the debt.

MR. RUSSERT: Senator McConnell, let me bring you into the conversation. Let me show you and our viewers what Alan Greenspan, the chairman of the Federal Reserve, had to say about tax cuts. I'll put it on the screen. "We'd probably be better off holding off on a tax cut immediately. I think this is the ideal time to reduce the debt. And I would certainly agree that if you can't do it in a significant way now, I can't imagine circumstances being more favorable to debt reduction at this point."

The public debt right now \$3.7 trillion. Why not eliminate that? Listen to Alan Greenspan, and avoid this tax-cut plan?

SEN. McCONNELL: Well, Tim, in the same testimony Greenspan said, "If you find that as a consequence of these surpluses, they tend to be spent, then I would be more in the camp of cutting taxes because the least desirable is using those surpluses for expanding outlays."

MR. RUSSERT: So don't spend them, pay down the debt?

SEN. McCONNELL: Well, what Greenspan understands here is that if the money is left laying around, it's going to get spent. I mean, if you think, Tim, of this dollar as the surplus, over the next 10 years, what we're saying is return one-quarter of this dollar to the American people. We've already agreed, as Pat has indicated, to put aside enough to save Social Security. Beyond that, there is enough, we anticipate, in the surplus, to take care of the Medicare problem if we can get the administration to go on and endorse the bipartisan proposal that was put forward earlier this year. And the taxpayers are entitled to a little of their money back, because—finally, let me say, when Clinton and Gore came to office, 17.8 percent of the gross domestic product was in taxes. Now, it's up to 20.6 percent. The tax burden on taxpayers in this country is at the highest point since World War II. And it's time we gave them some relief.

MR. RUSSERT: But, Senator McConnell, pick up the morning paper, "Corporate lobbyists celebrate victories in round one." One says,

“We got the sun, the moon and the stars.” John McCain said, “How can we justify giving \$33 million tax break next year to companies producing electricity from chicken waste when senior citizens have to forgo some of their Social Security benefits if they must work to make ends meet?”

This fact, though, has become a Christmas tree decorated with corporate giveaways according to news reports and the admission of “corporate lobbyists.”

SEN. McCONNELL: Well, regretfully, every tax bill ends up having those kind of provisions in it. I’m concerned about what the regular taxpayer gets out of this. You know, people making \$50,000 and up provide 91 percent of the taxes for the federal government, 91 percent. They’re the taxpayers.

SEN. MOYNIHAN: Of the income tax.

SEN. McCONNELL: Yes, of the income taxes. They don’t—you know, they don’t get a welfare benefit. They don’t get a food stamp benefit. They don’t really get anything except they pay the freight, they go to church. And it seems to me that we ought to keep in mind that a tax cut is for people who pay taxes.

MR. RUSSERT: Senator Chafee, you have counterproposed the Republican idea with a moderate Republican idea of saying, “Don’t cut taxes \$800 billion. Make it \$500 billion over 10 years.” If the Republican conference comes back, House and Senate, with the \$800 billion tax bill, will you as a Republican support that?

SEN. CHAFEE: Well, I haven’t taken a definite position because we don’t really know what’s in the final package. But I have told the majority leader, “Don’t count on me if you come back from the conference with a tax bill that eliminates the estate tax and gives a broad 10 percent across-the-board tax cut that they’ve been talking about in the House.” We presented this bipartisan program, Senator Breaux and I and a mixed group of Democrats and Republicans, and we’re for some tax cut, but we think it’s too rich to go \$800 billion as was proposed. We go for a \$500 billion. That leaves \$500 billion over for emergencies, for Medicare, for Social Security.

And, Tim, I think there’s one thing to remember. All these projections on how much money’s going to be pouring into the federal Treasury are based on 10-year projections and things don’t work out in the rosy fashion the way everybody thinks they’re going to work out.

MR. RUSSERT: So we may not be able to afford a \$500 billion tax cut.

SEN. CHAFEE: Well, I think we can afford \$500 billion, but \$800, I think, is getting way up into the higher margin. And I think we’ve also

got to remember that there are expenditures out there. This projection of the \$800 billion is based upon the Congress not taking certain actions, not taking actions to provide more money for low-income housing, heating and so forth like that, and I think those things are going to occur.

MR. RUSSERT: Gene Sperling, you represent the White House. Senator Moynihan has just suggested the idea of going home and not cutting taxes, and let the status quo roll on and see what happens.

MR. SPERLING: Well, since 1993, when Senator Moynihan and Senator Hollings cast their brave vote for the president's '93 debt reduction plan, we have, through our fiscal discipline, not only put our fiscal house in order, not only helped spark economic growth, but we've been giving Americans a large tax cut in the form of lower mortgage rates and lower interest rates. The worst thing we could do is leave our path of fiscal discipline in a way that we repeal that tax cut of low interest rates and low mortgage rates. So let me say the following.

MR. RUSSERT: So it wouldn't bother you if Congress did no tax cut?

MR. SPERLING: Well, let me say the following. It would be better to do nothing and pay down \$100 billion of our national debt than to sign a large and irresponsible tax cut that would send a signal to the world that the era of fiscal discipline in the United States is over.

MR. RUSSERT: But...

SEN. MOYNIHAN: Gene, \$1.9 trillion of debt we could pay down.

MR. SPERLING: We could, but...

MR. RUSSERT: But, Mr. Sperling, your tax plan actually pays down the debt less than the Republican tax plan.

MR. SPERLING: That's just not the case.

MR. RUSSERT: Absolutely, because if you look at the CBO estimates...

MR. SPERLING: That...

MR. RUSSERT: ...the Congressional Budget Office, the Republicans pay down over \$2 trillion. You're less than that. Why doesn't the administration...

MR. SPERLING: Tim, that CBO analysis is one that Senator Daschle and Congressman Gephardt called the most flawed and misleading analysis in 25 years. But I'll take it as they do it. They assume that they would pay down debt and have a tax cut on the assumption that

they would cut government and education and public safety and science by nearly 50 percent. Well, you could say that you could pay down the debt by eliminating the Navy, too, but that's just not going to happen. And the real thing the American public needs to watch out for is that these are projected surpluses. It's not money in the bank. And if you do a tax cut on the assumption that government is going to be cut that dramatically in education and science, let me tell you what's going to happen, we're either going to have very serious cuts that are harmful or people are going to have to go raid that Social Security surplus and not pay down the debt. So let's be responsible, first things first.

I think the way to break this gridlock is not by breaking our commitment to fiscal discipline. Let's break the gridlock by coming back in September and sitting down and getting a Medicare plan done. The president has a specific plan to get solvency at 2025 that has prescription drugs. The White House, the Democrats, we would like to sit down and let's do Medicare first. That's what we mean by first things first.

MR. RUSSERT: Well, but hold on. Under projections, in 10 years, two-thirds of all federal expenditures are going to go to Social Security and Medicare, and the Clinton administration thinks that's just fine. We now spend \$220 billion on Medicare. It's going to be over \$2 trillion by the year 2030 because there are no serious structural changes made in Medicare by the administration. Is it acceptable to your administration to have two-thirds of federal expenditures go to Social Security and Medicare?

MR. SPERLING: Tim, the president has put down a serious Medicare plan. The GAO, the government's watchdog, said that it has serious programmatic reforms that are least a good-faith effort to start. Maybe we should do more. Let's sit down and work on that. The reason why we want to save and pay down the debt is exactly because the surplus we have right now, as I think Senator Hollings is suggesting, ignores the fact that we have long-term deficits in Medicare, long-term deficits in Social Security. The responsible thing to do right now is to save. We can either have one last great tax-cut party of the 20th century or we can save to pay down the debt so that we can meet the Medicare, Social Security and education challenges of the 21st century.

MR. RUSSERT: Senator Moynihan, you believe if the Republicans pass their \$800 billion tax bill, it will be an attempt to starve the beast...

SEN. MOYNIHAN: Yeah.

MR. RUSSERT: ...to not have enough money left to pay for what?

SEN. MOYNIHAN: Just a little bit of history here. What we're dealing with is not just this day and this year. Particularly, the large political idea which evolved in the 1970s among conservatives of a more intellectual type, if you like, and the idea was that—here, I'll read an

article I wrote in 1980 on the subject in The Times. I said, "The Republicans' dominant idea seems to be that the social controls of modern government have become tyrannical or, at very least, exorbitantly expensive. This oppression, so the strategic analysis goes, is made possible by taxation such that cutting taxes becomes an objective in its own right." And just last week, E.J. Dionne in The Washington Post said, "The long-term goal about which Republican leaders are candid is to put government in a fiscal straitjacket for years to come."

MR. RUSSERT: Senator McConnell, how do you plead?

SEN. McCONNELL: I wouldn't argue with that. I think we view this as an opportunity to pare back the size of the government, to give taxpayers some of their own money back.

MR. RUSSERT: So cut education, cut defense, cut health care?

SEN. McCONNELL: No, we're talking about, under our plan, as you pointed out to Gene, \$200 billion more for deficit reduction than under the Democratic plan, a walling off of Social Security surplus to take care of Social Security. There's still enough money to take care of Medicare and other programs. And the remarkable thing about it is you can still send back a quarter out of this dollar to the taxpayers who are paying the freight in this country for more government than we need. We're running a surplus now. If the corporation's in this good a shape, maybe the shareholders deserve a dividend.

MR. RUSSERT: Senator Hollings, could you buy a \$500 billion tax cut, or could you buy a \$300 billion tax cut?

SEN. HOLLINGS: Neither one. Go right to what Senator McConnell is saying, "They're paying too much taxes because they got too much waste not, too much government." The best tax cut would be to pay down the debt; namely, the spending taxes or interest costs on the national debt. Now, all of this surplus comes about assuming, of course, that you obey the caps on spending, which we've already violated, that there is no emergency spending, which we've already violated. We call census spending emergency spending, that there is no tax cut, and you're not going to have any spending increases. That's all imaginary. And I think we ought to get with the reality that now is the time to pay down the debt and that already we're spending \$100 billion this year. In 60 days, the 1999 deficit is going to be \$103 billion.

MR. RUSSERT: Senator...

SEN. HOLLINGS: So we're spending more than we're taking in right this minute.

MR. RUSSERT: Senator Chafee, sounds like we're headed for a train wreck, where the Republicans are going to dig at \$800 billion and