

NATIONAL PRESS CLUB LUNCHEON WITH REPRESENTATIVE STENY HOYER (D-MD)

SUBJECT: THE FIGHT TO LIVE WITHIN OUR

MEANS:

WHY DEMOCRATS ARE WORKING TO RESTORE FISCAL RESPONSIBILITY AND
ENSURE AMERICA'S PROSPERITY

MODERATOR: SYLVIA SMITH

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MS. SMITH: (Strikes gavel.) Good afternoon, and welcome to the
National Press Club. I'm Sylvia Smith. I'm the Washington editor of
the Fort Wayne Journal Gazette and secretary of the National Press
Club.

I'd like to welcome club members and their guests and those of
you who watching on C-SPAN.

We're looking forward to today's speech, and afterward, I'll ask
as many questions from the audience as time permits. If you'd please
hold your applause during the speech, we'll have as much time as
possible for questions. And for our broadcast audience, I'd like to

explain that if you hear applause, it may be from the guests and
members of the general public who attend our luncheons, not
necessarily the working press.

And now I'd like to introduce our head table guests, and ask them
to stand briefly when their names are called.

From your right, George Cahlink, managing editor of Roll Call's Congress Now; Steve Koff, Washington bureau chief of The Cleveland Plain Dealer; Mike Soraghan, House Democratic leadership reporter for The Hill; Lisa Mascaro, Washington correspondent for the Las Vegas Sun; Alice Rivlin, former director of the Office of Management and Budget, former director of the Congressional Budget Office and senior fellow at the Brookings Institution, welcome; Daniel W. Reilly, congressional reporter for The Politico; Congressman John Spratt of South Carolina, the chairman of the House Budget Committee; skipping over the podium for a moment, Jonathan Salant, Bloomberg News and former National Press Club president; and skipping over our speaker for just a minute, Jonathan Allen, a reporter for Inside Congress, reporter of the Congressional Quarterly and Speaker Committee member who organized today's event; Charlie Stenholm, former member of Congress from Texas, founding member of the House Blue Dog Coalition, member of the board of the directors of the Concord Coalition and Committee for a Responsible Federal Budget; Laura Litvan, congressional correspondent for Bloomberg News; Ed Epstein, Inside Congress reporter for Congressional Quarterly; Carl Leubsdorf, Washington bureau chief of the Dallas Morning News; and Jesse Holland of the Associated Press. (Applause.)

Democratic congressional candidates cut countless campaign ads last year with this message: Republicans took a \$5.6 trillion surplus created during the Clinton administration and turned it into a \$4 trillion deficit. Democrats used words like "fiscal mismanagement," "tax breaks for the wealthy," and "irresponsible fiscal policies." Well, Democrats have been in charge of Congress for nine months now, and our guest today will talk about what's come from that gestation period.

House Majority Leader Steny Hoyer is here to discuss his ambitious goals for fiscal discipline in a time of mounting federal debt. We also expect him to talk a bit about the upcoming battle with President Bush over the appropriation bills. Congressman Hoyer is a 14-term Democrat from Maryland who entered politics at an early age and steadily moved up in the ranks. Elected to Congress in 1981, Hoyer quickly established himself as a political force in the House and in his home state. On Capitol Hill, he won a coveted appointment to the Appropriations Committee, and back home he won re-election 13 times, including last year with an impressive 83 percent of the vote. That was followed by another significant victory. After Democrats won a majority in the House last year, Hoyer beat Speaker Nancy Pelosi's favorite candidate for the number two job of majority leader.

Please help me welcome to the National Press Club podium, Congressman Steny Hoyer. (Applause.)

REP. HOYER: I was Nancy's second most favorite candidate. (Laughter, laughs.)

You know, Sylvia, I thank you very much for that introduction, and as you talked about the nine-month gestation period, I thought that perhaps I ought to name my speech "The birth of a fiscally responsible majority," consistent with your introduction on our nine months gestation.

I am very, very pleased to be here at the National Press Club. Jon Allen, thank you for hosting me and getting me into the room. I appreciated that very much.

Because our time is short, I would usually speak at a longer time about some of the people I want to recognize, but I do want to recognize them because I am very pleased that they're here; they're friends and some former colleagues.

John Spratt, an extraordinary leader in the Congress of the United States, an extraordinary member of Congress who chairs our Budget Committee. John, thank you for your work you have done and are doing.

Charlie Stenholm, who is one of my closest friends and who I think had the greatest clarity in discussing fiscal issues of anybody with whom I've served in the Congress of the United States. Now he was not chairman of the Budget Committee -- and John brings that clarity as well -- but Charlie stayed at it forever and continued to do it as a member of the Concord Coalition's board.

Alice Rivlin, thank you for your great leadership and the premises that you made in all of the jobs that you've held that we still adhere to. You have done extraordinary work.

I want to also recognize Ambassador Jim Jones, former chairman of the Budget Committee in the House. Is Jim still here? Ambassador Jones is here.

My friend, Jack Quinn, who I keep suggesting ought to switch parties. (Laughter.) His mother is a great Democrat, and his mother and I have not been successful at this point in time.

Bill Frenzel, one of the most responsible and effective members with whom I've served over the years. And Bill, thank you very much for all you've done for our country.

Vic Fazio, one of my closest friends who's served in the Congress, who was in the Congress when I went there and was chairman of our caucus.

Marty Russo, a member of the Ways and Means Committee. Is Marty still here? Has he left? Marty's left.

And I want to mention one non-colleague, but a colleague nevertheless, and that is my friend Tom Kahn, who is the staff director of the Budget Committee, who does an extraordinary job.

Now, because this is a serious and important talk, I rarely use my glasses, but I don't want to miss a word of what I'm about to say. (Laughs.)

First, I want to thank Alan Greenspan. I want to thank Alan Greenspan for putting the issue of fiscal responsibility back on the political map. Ross Perot did that, but it faded somewhat, has faded over the last six years. This is a very healthy development, even

though it might embarrass the administration.

In his new book, the former Federal Reserve Board chairman writes, and I quote, "Most troubling to me was the readiness of both the Republican-controlled Congress and the administration to abandon fiscal discipline." And he added this: "Deficits don't matter" -- he quoted Dick Cheney -- "to my chagrin became a part of the Republican rhetoric." Greenspan concluded, "Deficits must matter."

I was tempted to come here, frankly, and deliver the shortest speech of my life, eight words in all: "Chairman Greenspan is correct. Are there any questions?" (Laughter.) Some of you would have hoped I would have stuck with that text, I know. (Laughter.) But the bar is higher today, so I intend to convince you of four main points.

First, this administration has pursued the most fiscally irresponsible policies in American history. To that extent, Sylvia, we continue that rhetoric. Second, the Democratic Party is the party of fiscal responsibility today -- which is a very under-reported story.

Third, the president needs to put down his veto pen and pick up the telephone. Our differences on funding levels for domestic appropriations for fiscal year 2008, which begins on Monday, are, I suggest to you, relatively minor. We need to work out those differences rather than engage in political posturing.

And finally, we must allow our disagreement on appropriations -- we must not allow our disagreement on appropriations to distract us from the ominous long-term fiscal challenges that confront our nation. The United States of America is on an unsustainable fiscal path. And the longer we wait to address our challenges, the more difficult it will be to avert a fiscal crisis.

There's no other way to say it. The Republicans' fiscal record is like a decades-long train wreck. For 18 of the 26 years that I have served in Congress, a Republican has occupied the White House. And in every single year of those Republican administrations, the federal government ran significant deficits, without exception. The cumulative deficits under Presidents Reagan, George Herbert Walker Bush and George W. Bush total more than \$4.1 trillion.

In contrast, the Clinton administration had a cumulative surplus of nearly \$63 billion over eight years, the only president in my lifetime that has had a surplus net. Under President Clinton's stewardship, the federal government reduced the deficits he inherited and recorded four consecutive surpluses, the first time that had happened in 70 years.

My Republican friends sometimes say, "Ah, yes, but we were in charge of the Congress for most of the Clinton administration." My response was to them, and is to them, "If that is the case, why could you not accomplish the same when you controlled the Congress, the Senate and the presidency?"

So forgive me for dismissing the Republican Party's claim that it

is fiscally responsible. Forgive me for rejecting the Republicans' repeated assertion that supply-side tax cuts pay for themselves, an assertion that has been challenged by the Treasury Department, the Congressional Budget Office, and the current chairman of the Federal Reserve, who told the Senate in 2005, "I think it is unusual for a tax cut to completely offset the revenue loss." We have experienced that fact. In fact, revenues have grown by just 3.6 percent since the president's 2001 tax cut was enacted, less than half the 8.4 percent annual growth during the Clinton administration.

And forgive me again for being somewhat amused by the administration's defensive pushback on Alan Greenspan's recent comments. The president claimed last week that his fiscal record is admirable and good. Does he really believe this? He came to office inheriting, as Sylvia has pointed out, we observe, a 10-year budget surplus of \$5.6 trillion. That was his assertion when he addressed the Congress.

And he proclaimed, quote, "We can proceed with tax relief without fear of budget deficits even if the economy softens." But then the Republican-controlled Congress passed and the president signed the largest tax cuts in a generation, tax cuts disproportionately skewed toward the wealthiest citizens, while increasing spending at a rate -- 7.1 percent -- nearly twice that of the Clinton administration.

As predicted, these irresponsible policies turned surpluses into massive deficits: \$158 billion in fiscal year '02, \$378 billion in '03, \$413 billion in '04, \$319 billion in '05, and \$248 billion in '06. We will end the fiscal year just in a couple of days, and we expect a \$158 billion deficit this year. The president will crow that he is reducing the deficit, ignoring the fact that but for his policies, we would not even have deficits.

And consider, the administration projected a budget surplus of \$573 billion this year when it took office. So, fiscal 2007 really represents a swing of three-quarter of a trillion dollars, virtually all of it the result of policies enacted by a Republican Congress and signed by President Bush.

The exploding national debt is equally disturbing. Today, this debt stands at more than \$9 trillion, having been increased by \$850 billion yesterday. That's a 56 percent increase, or \$3.3 trillion, under President Bush during the last 72 months. That's almost \$30,000 for every man, woman and child in our country. All these figures can be mind-numbing.

I was amused somewhat, Sylvia, when you were constraining the cheers that would come about on this speech, and I thought to myself, I'm not sure that's going to occur from friend or neutral alike.

All these figures, as I said, can be mind-numbing, so let's put them in perspective.

In 2007, the interest payments on the national debt, the fastest-growing major category of spending in the budget, are projected to be \$235 billion. That's more than Congress appropriates in discretionary

spending for any government department or agency other than Defense. It's four times more than we spend on education and seven times more than we spend on the Department of Homeland Security.

In other words, these interest payments, which increasingly are paid to foreign governments that hold our debt, cannot be used to build roads, bridges, to invest in research and development, to improve education, to protect our nation or to provide tax relief. The Republicans' record of fiscal irresponsibility, in my opinion, speaks for itself. As Republican Congressman Jeff Flake of Arizona said last year, and I quote, "Whether we want to admit it or not, the Republican Congress's failure to discipline itself is sending us all down a flower-strewn path of fiscal insolvency." Jeff Flake, Republican, Arizona.

The truth is, Democrats are the party of fiscal discipline in Washington today. In one of our first acts after regaining the majority, we reinstated the pay-as-you-go budget rules, or PAYGO, that are widely credited with producing record budget surpluses during the Clinton administration. In a nutshell, PAYGO means the federal government must offset tax or spending increases elsewhere in the budget. It's a common-sense rule that millions of American families understand.

Adopted on a bipartisan basis in the '90s, PAYGO was even rhetorically supported by President Bush in his first three budgets, although he exempted his 2001 tax cuts from the rule, and Republicans allowed it to expire in 2002. The president's new director of OMB, former Budget Committee Chairman Jim Nussle, who supported PAYGO in the '90s, later had a change of heart, explaining, and I quote, "We don't believe you should have to pay for tax cuts." So much for PAYGO. So Republicans didn't. They just kept on billing the cost of tax cuts and spending increases to future generations through higher deficits.

Today, Democrats are fighting to restore the fiscal discipline that has been sorely lacking since 2001. Why? Because we believe deficits and spiraling debt threaten our future prosperity and

national security. And because we believe that it is simply immoral to force our children and grandchildren to pay this generation's bills. That's why we passed a budget for fiscal 2008 that would bring the budget back to balance by 2012, thanks to the leadership of John Spratt. Last year, the Republican Congress even failed to pass a budget, and that's why we have honored our commitment to PAYGO.

In the last nine months, we have not violated the PAYGO rule months in the approximately 30 bills with direct spending or revenue provisions of more than a million dollars, as will be detailed in a report next week by John Spratt and his committee. If you examine the four major House bills with mandatory spending increases -- children's health insurance, that we hope the president will sign, the farm bill, higher education and energy -- you'll see that approximately 80 percent of the spending increases included in those bills comes from spending cuts. For all their talk about being tough on spending, our Republican friends in the House actually have opposed the spending cuts that have been put forward.

House Democrats, for instance, paid for SCHIP bill, our children's health bill, by, among other things, cutting subsidies for insurance, a cut Republicans opposed.

We have made the tough decisions, I suggest to you, with respect to spending priorities that Republicans never made when they were in power, and as we enter the final stages of this session of Congress, I want to make one thing clear. The House will not waive PAYGO for any tax cuts or entitlement spending increases that are not offset. Speaker Pelosi is committed to that, I am committed to that, and John Spratt is committed to that. Today we are examining different proposals to permanently reform the Alternative Minimum Tax, as well as temporary AMT fix that would be offset by closing tax loopholes and cracking down on special interest taxpayers. In either case, simply waiving PAYGO is not an option, even if some members of the other body prefer that we would do so.

Now, let me focus on the current disagreement between Democrats in Congress and the administration over discretionary spending. Don't be fooled, this is not a fight about spending. This is a fight about priorities as a nation and about the administration's desire, in my opinion, to posture to its base. Let me say that I am not pleased that we have not completed our appropriations work on time. The administration's unjustified veto threats have only impeded our progress. Nonetheless, we have passed a continuing resolution to ensure that our government is funded and functioning and to give us time to work out our differences.

Parenthetically, the House of Representatives has passed 20 appropriation bills this year alone -- eight in the CR that we passed early in the year to take care of the eight appropriation bills that the Republicans left on the table when they adjourned, and all 12 appropriation bills that was our responsibility for fiscal year '08. The bottom line is: The administration is itching to instigate an appropriations fight with Congress in a vain effort to establish its bona fides with its conservative base. After failing to veto even one appropriation bill or other legislation that substantially added to the deficit during the previous six years, not one veto, the president is now threatening to veto eight of the 12 annual spending bills for fiscal 2008 over a total of \$23 billion.

Now, there's no question that \$23 billion is a lot of money to all of us; however, let's put it in perspective. Twenty-three billion dollars is eight-tenths of 1 percent of the total federal budget of nearly \$3 trillion. Twenty-three billion dollars is not quite half of the \$42 billion in additional funding for Iraq that the administration requested just on Wednesday, and about 12 percent of the administration's total request of \$190 billion for the war for 2008, a war the White House estimated would have cost a total of \$60 billion.

The truth is, \$16 billion of the \$23 billion that Democrats are fighting for would simply restore cuts proposed by the president to key programs: a 50 percent cut in vocational education, the elimination of student aid other than work study and Pell grants, and deep cuts in medical research, law enforcement grants and rural health

programs to name but a few. This fight is about whether we adequately fund No Child Left Behind, special education, medical research, Head Start, clean water programs, public safety and appropriate health care for our veterans and men and women in uniform.

Please, Mr. President, do not lecture us about fiscal responsibility, and please, do not tell us that we cannot find funding to invest in our children, our infrastructure and our future when you are proposing to spend another \$190 billion this year alone in Iraq.

Democrats believe the president's priorities are misguided and not supported by the American people. We believe in this appropriation fight the president is playing politics pure and simple. If you doubt that, just consider that funding for non-defense appropriations in 2008 when adjusted for inflation and population growth is actually below, less than the funding levels passed by the Republican Congress and signed by the president in fiscal year '02, '03, '04 and '05 -- less than the Republicans passed in each of those four fiscal years.

I know that Chairman David Obey remains hopeful that in the next few weeks the congressional leadership and White House will sit down and negotiate a reasonable agreement on funding levels.

But as the rhetoric heats up, ask yourself: If the president is really fiscally conservative, why didn't he veto one appropriation bill in the six years that preceded this one? Why didn't he veto the corporate tax bill in 2004, a bloated bill that doled out \$139 billion in corporate welfare when all that was needed was a \$5 billion tax fix to put us in compliance with our trade agreements?

We Democrats are going to fight for the priorities of the American people. The president should not try to rehabilitate his fiscal record by vetoing responsible appropriations bills or, for that matter, as I have said, a bill that provides for children's health, a bill he said he would fight for in 2004. This is his opportunity to redeem that promise.

Finally, let me say that as important as this disagreement over appropriations is, we must not be distracted from the long-term fiscal challenges that face our nation. Fiscal responsibility is not some virtue that exists in a vacuum. It is vital to our future.

As Bob Bixby of the Concord Coalition points out, and I quote, "The basic facts of our fiscal challenges are a matter of arithmetic, not ideology." Two factors stand out: demographics and health care costs. With the imminent retirement of 78 million baby boomers, and the attendant demands on Social Security and Medicare, we are on the cusp of a fiscal tsunami that threatens to drown our nation in a sea of red ink.

Over the next quarter-century, the number of Americans 65 and over will nearly double, from 12 percent of the population to nearly 20 percent. Medicare and Medicaid will grow by nearly five times, as a share of the economy, by 2050. If we assume the growth of health care costs does not slow, then these programs will absorb as much of our nation's economy by the late 2040s as the entire federal budget

does today.

According to the 2006 Financial Report of the United States, signed by the Treasury secretary, Paulson, our fiscal exposure, explicit liabilities and implicit obligations, had a present value of \$44 trillion, or about as much as the net worth of all household assets in the United States of America.

We're not going to grow our way out of this problem through some magic supply-side solution. The GAO estimates that it would require inflation-adjusted averages, annual economic growth in the double-digit range every year for the next 75 years to close the gap through growth alone.

It is imperative -- it is imperative that we get serious about our long-term fiscal challenges. There's plenty of room for debate over the mix of options that should be considered, but we do not have time to waste.

Senators Conrad and Gregg and Congressmen Cooper and Wolf have put forward proposals for a bipartisan task force. While I would like to believe that Congress could address these issues through the regular legislative process, the experience of recent years suggests this is extremely difficult in the current political environment, although I will say that Speaker Pelosi and I have an intention to discuss this with particularly John Spratt and Charlie Rangel and other fiscal leaders in the Congress, including David Obey.

My preference certainly would be to have members of Congress and this administration make recommendations that are considered in this Congress, but there are two problems with that. First, this is now an outgoing administration, with a little over a year left, and secondly, despite the good-faith efforts of Secretary Paulson, this administration has been loath to put all the options on the table. As a result, I believe that we must move forward with such a task force after our president is inaugurated in 2009, with a process allowing the president and Congress to consider alternatives. Turning a blind eye to our long-term challenges would not only be irresponsible, it would be unforgivable.

As Comptroller General Walker has warned, and I quote, "Continuing on the unsustainable fiscal path will gradually erode, if not suddenly damage, our economy, our standard of living and ultimately our national security."

Our fiscal future need not be filled with peril if we have the courage and will to recognize and address these challenges; America and future generations will be better for it.

Thank you very much. (Applause.)

Sylvia, you noticed throughout the course of that presentation, the great restraint that everybody showed.

MS. SMITH: Absolutely. (Laughs, laughter.) Thank you for that. (Laughs.) We have a lot of questions, including obviously some from people who are looking for their next column, so they anticipate that.

REP. HOYER: (Laughs.)

MS. SMITH: One questioner asks, for readers -- a paper with a more local focus, what does a multitrillion-dollar deficit mean in real terms for working families? What is the direct impact on the average citizen?

REP. HOYER: Well, if we -- if they're referring to the budget and the appropriation bills that we're passing now, it will mean something to the health care, it will mean something to the safety of their streets with the COPS Program, it will mean something to veterans' benefits.

But if they're talking about the longer term, which I think the question relates to, the impact will be on the restraint of benefits that they may be entitled to, including Social Security and Medicare, to which all will be entitled at some point in time who have worked. We will be unable to sustain those benefits if we do not act now to get a handle on our fiscal posture.

MS. SMITH: What do you think it will take --

REP. HOYER: And for that matter, to fund any other discretionary programs, including transportation, law enforcement and national security.

MS. SMITH: What do you think it will take to arouse the public to the magnitude of the coming deficits, and when will they demand action?

REP. HOYER: Well, I started my speech with saying that I was pleased that Alan Greenspan had put this on the -- hopefully -- the front page for a short period of time. I referenced Ross Perot; Ross Perot, I think, made a real contribution to this country in 1992. He was really, in the first 12 years I was in Congress -- there wasn't much attention paid to the Reagan deficits or, frankly, to the Bush deficits until Ross Perot said we need to lift up the hood, and we got a problem, we got to fix it. People paid attention. The attention has been somewhat dissipated.

I am hopeful that with this talk and with others that members will be making, that the Concord Coalition, that people like Alice Rivlin and Bill Frenzel and Jim Jones, who have been there -- and Charlie Stenholm -- that we will continue to raise this as a real, immediate problem.

The president said on Social Security, if we acted earlier rather than later, it would be easier; I agree 100 percent with the president. If we act now and start to work on this problem, it will be easier than if we wait a decade to work on this problem, when the crisis confronts us.

MS. SMITH: You endorsed the commission to consider strategies to cope with Medicare, Medicaid and Social Security. What are your favorite approaches?

REP. HOYER: There's a simple answer to my favorite approach: Put everything on the table and sit down at the table with the honest intention to address the fiscally affordable solution. I don't think there's any other solution in that. Without talking about specific options, they all have to be on the table.

MS. SMITH: You don't have a favorite option at this point you'd like to talk to us about?

REP. HOYER: My favorite option is putting everything on the table. (Laughter.) And the reason it's my favorite option is because, frankly, solving this problem -- which is why nobody cheers about it -- is neither easy nor politically popular, but it is essential if we are going to serve the next generation and the strength of our country.

MS. SMITH: A questioner asks, if your differences with President Bush on spending are minor, why not call his bluff and reduce your spending package by \$23 billion? By not doing so, are you playing into the president's narrative?

REP. HOYER: Let me say something on reducing our priorities. In four of the last six years, the Republicans, in their budgets, increased over the president's budget discretionary spending for non-Defense items. How did they do so? They cut Defense spending. Why did they not worry about cutting Defense spending? Because they then sent down supplemental appropriation bills labeled as emergency spending, which did not -- were not impacted by any caps or constraints and, in effect, that filled the Defense numbers.

So on the one hand, they could say they stayed with the president's numbers; now, why is that difficult for us? Because as soon as we cut -- and we did not cut any money from the president's Defense request, but as soon as we did, the president would attack us for undermining the security of our country; we have no intention of doing that. We believe the Defense budget, like every other item, needs careful scrutiny. But what we have done is honestly projected what we believe to be the fiscal priorities.

It's interesting that we added \$4 billion for veterans, because there are long lines. The Iraq war is sending people back to our health care system very seriously injured; it's going in the cost of war. We have funded that. The president indicates that he will sign that bill. Why would he sign that bill? Because he perceives it to be politically popular, notwithstanding the fact that he did not include that \$4 billion in his bill.

He then, however, turns around and says but in order for us to fund our veterans, we need to cut our students, we need to cut our environmental, you know, water programs, we need to cut cops on the beat, we need to cut fire protection in our communities. We do not believe those are proper trade-offs.

At the same time, as I made it clear, he asked for \$190 billion extra emergency funding -- unconstrained (without ?) caps -- for this year alone to fund the war in Iraq and Afghanistan.

MS. SMITH: When Democrats gained the majority in the House, leadership, including yourself, promised the most transparent Congress ever. Republicans have charged that the majority is now blocking efforts to open up earmarks, and critics say that Democrats are acting like Republicans did last session. How do you respond to that?

REP. HOYER: Phooey! (Laughter.) More to follow. The -- you may think that Jeff Flake is my favorite person to quote. (Laughter.) After we adopted our earmark reform, the more extensive earmark reform which said that earmarks were going to be transparent, that would be listed in bills, there would be a certification that a member did not have a personal interest in the earmark being sought and that every member would have an opportunity to see what earmarks and who made them, Jeff Flake said that it was the most courageous, extensive reform of earmarks that unfortunately the Republicans had failed to accomplish. So we've made very significant reform.

And, very frankly, those earmarks have been transparent. We passed our bills. There were amendments on the floor to cut earmarks; some were cut, most were not, because the Congress made a determination that they were substantive investments in the quality of life in our communities.

MS. SMITH: As somebody who tried to go through each of those appropriation bills and get the earmarks that were lifted, I can tell you it varied from bill to bill. Would you recommend any more changes in the process?

REP. HOYER: Sylvia, that's a good point.

Obviously we have just started this process; in other words, it hadn't been going on for the six years of this century. We just started this process. As you know, we had some bumps along the road, where the committee was -- committee staff -- overwhelmed with a requirement to make sure that they vetted every one of these, made sure they were legitimate requests, made sure that there was no financial interest. And so it was a very difficult task for the staff that was trying to put the bills together.

You recall -- as I said, we passed all 12 of our appropriation bills, and the previous Congress left eight of their appropriation bills on the table when we came to town as the majority. But I am hopeful that you will have an easier time next year as the process -- we get used to the process and we get into it earlier and we make sure that not only you but the citizens of our nation will be able to see what is being asked for and by whom.

MS. SMITH: That's an excellent answer. (Chuckles.)

REP. HOYER: Thank you. (Laughter.)

Thank you very much. I enjoyed being here. (Laughter.) Sounds to me like a great time to quit.

MS. SMITH: Well, no, we've got this one coming.

REP. HOYER: Oh, dear.

MS. SMITH: A questioner asks, "The last time the majority that you needed" -- the Democrats -- "you raised taxes, cut spending and balanced the federal budget. Then the voters turned you out of office. Couldn't Vice President Cheney have been right when he said, 'Deficits don't matter'?"

REP. HOYER: Dick Armey said that if we did what we did in 1993, that we would send the economy into a tailspin, that unemployment would spiral, and the deficit would go through the roof. He was 100 percent wrong. In point of fact, exactly the opposite happened on every one of those criteria. It was the right thing to do.

Did it cost us politically? It did.

But as a result of that action, which Greenspan said was a courageous action by Bill Clinton -- the smartest president he's dealt with, he said; I won't mention the other president he said was pretty smart too -- that program, adopted with no Republican votes, not one, led to the most robust economy in the history of our country.

So that -- deficits do matter. And what that program did was, for four straight years, we reduced the deficit, the first four years of the Clinton administration, and in the second four years of the Clinton administration, we had four years of surplus. That's the \$4.1 trillion of deficits versus the \$63 billion of surplus. That would be my answer to the fact that deficits do matter, and because we took the country out of deficit.

Yes, it was politically tough vote, but it had the impact of allowing venture capitalists to be confident that interest rates would remain low, invest in the information technology explosion, which was largely responsible for that growth in economy. But the partnership between the federal government's fiscal responsibility and the venture

capitalists and others who could raise capital because they were confident that interest rates would remain steady and low was an extraordinary contribution to the Clinton administration and, I would say, Democrats solely in the Congress who voted for that program gave to the country.

MS. SMITH: We have a whole pile of Iraq questions.

In your remarks, you refer to the wisdom of Alan Greenspan. Mr. Greenspan also said in his book that the Iraq war was started to protect oil interests. Do you agree?

REP. HOYER: Well, I think that's Mr. Greenspan's view, and he was much closer to the administration than I am, so perhaps he's accurate.

The Iraq war was started, I suppose, for many reasons. Most of the reasons that the administration articulated, of course, were wrong. This was not the center of terrorism or of the attack that was made on the United States on 9/11. The Saddam Hussein regime was

found by the 9/11 commission not to have any relationship to al Qaeda or to the attacks of 9/11.

We found no weapons of mass destruction, and so the administration's rationale, articulated to the public, was certainly not correct.

Did oil have a consideration? I think it would be difficult to deny that that was the case. Were there other reasons? I think personally that there were. Saddam Hussein had invaded Kuwait. Saddam Hussein had been kicked out of Kuwait by the United Nations in a United -- unanimous resolution. Certain conditions had been imposed upon Saddam Hussein. Over the next 12-and-a-half years, 17 resolutions were passed saying he hadn't followed those conditions, and so that was another rationale.

But clearly, and I want to say this. Whether you were for or against the Iraq War, it has been the most incompetent implementation of a foreign policy perhaps in our history. You can clap. (Laughter.) Go ahead. (Applause.)

And -- and I don't know how many questions there are on Iraq, but either they don't get to this -- and what we have been fighting for over the last nine months is to change our policy in Iraq, change direction in Iraq, and responsibly redeploy our troops out of harm's way. It is time for the Iraqis to take responsibility for their own security and stability. Our men and women are in the midst of a civil war. It is not where they should be, and the American public overwhelmingly believes we need to change policy. This president does not want to do it. We're going to keep trying to do so.

MS. SMITH: To that end, this questioner asks, as the House Democrats prepare again to take up the Iraq debate next week, can you discuss specific bills or proposals that you think would have the best chance of clearing both houses and moving Democrats toward their goal of changing course in the war?

REP. HOYER: Well, as you know, we passed legislation which would have set, we think, a responsible timeline for accomplishing withdrawal, and change direction in Iraq. The president vetoed that. We didn't have the votes to override the veto. Subsequently of course the Senate has been unable to garner 60 votes for various suggestions they have made, including the Webb legislation, which talked about putting in statute the dwell time. That is, the time that people were in theater would be equal or less than the time they were at home resting and getting training.

That could not get, in the Senate, 60 votes. We intend to bring that on the floor of the House. It passed, and we're going to bring

it up again. We're going to bring up Tanner-Abercrombie, which says to the president and to the Pentagon, we want a plan for responsible redeployment. That doesn't mean we're going to force them to redeploy, because we don't have the votes to do so. But by golly, we ought to have a plan.

I will tell you this. Tom DeLay, when -- Bill Clinton sent troops into Bosnia and to Kosovo in the '90s, without the loss of a

single member of the armed forces, stopped genocide, stopped ethnic cleansing. And we have a stability in that region now where we're losing no people. Iraq is not analogous.

We believe that we need to keep putting on the floor resolutions, bills, policies which will lead towards a change in policy. If we can't ultimately pass them into law because of the president's veto, we are sorry about that. Because we think America wants change. But we will continue our efforts.

MS. SMITH: And there are several variations of this question.

Democrats were pressed to condemn the moveon.org ad with the headline, General Petraeus or General Betray Us. And in fact, both chambers of Congress distanced themselves from the ad. The Republican Party is using the group's support of various Democratic candidates in its fundraising appeals.

Should any political party be held accountable for the statements or actions of advocacy groups that generally back that party's candidate?

And do chairmen who don't throw hecklers out of hearings make Democrats look bad?

REP. HOYER: (Laughs.) Bill Thomas had them arrested, of course -- was chairman of the Ways and Means Committee.

Let me say with respect to the MoveOn.org ad and the resolution, the Senate passed an amendment and it passed it overwhelmingly, which criticized -- perhaps, one could say condemned the MoveOn.org ad. I was asked about it on the floor and said I thought it was an inappropriate, unfortunate ad with which I did not agree. General Petraeus is a person who has served our country well. He has a sterling reputation as a military leader and as an honest person of integrity. He stated his position. His position, essentially, is that this is not subject to a military victory but to a political one. His statement was that he does not think that the surge accomplished its objective of bringing a political resolution.

I think the MoveOn.(org) ad allowed the Republicans to characterize the Democratic Party, but your question was: Should we be responsible for that? The answer is no. What we should be responsible for is our response or opinion with respect to that which was articulated in the ad, not for the ad itself. Not too long ago, Rush Limbaugh on his radio show republished -- because somebody had said it calling in -- calling Chuck Hagel, a legitimate war hero, Senator Betrayus. I didn't hear any Republicans rushing, to coin a phrase, to criticize Rush Limbaugh.

The fact of the matter is, the debate that we undertake is what we ought to be held responsible for.

MS. SMITH: I have corollary questions here.

You stated that the administration is proposing to spend \$190 billion in Iraq in the next year. Can you guarantee that the

president will not get this huge sum?

And then, the other questioner asks: The anti-war crowd is upset that the Democrats won't or can't cut off funding for the Iraq war. Why can't you?

REP. HOYER: We live in a democracy, and the American public two years ago or three years ago elected George Bush as president. They elected a Republican Congress three years ago. A year ago, they

decided to change direction, but the United States of America is a very big ship and turning a big ship takes time. And it is particularly difficult to change the course of a big ship when the captain at the wheel does not believe we ought to change course.

So what Democrats need to do is to continue to try to offer policies and to garner larger and larger majorities for the proposition that we need to change course, redeploy our troops, take them out of a civil war and try to restore America's integrity and credibility around the world. We'll continue to do that. But Nancy Pelosi and I both understand the frustration of those who voted in November of '06 with a sense that they would then change the direction of the country.

But unless we change the mind of the commander in chief, or enough Republicans in the Senate and in the House to override a veto, we will be unable to do that until January of 2009.

MS. SMITH: When will the House consider the \$190 billion supplemental spending bill for military operations in Iraq and Afghanistan? Are you inclined to wait till next year?

REP. HOYER: The answer to that question is, it's under discussion. Let me make it clear from my perspective and from the speaker's perspective, we do not intend to leave undefended, without resources, men and women we have deployed in harm's way -- in Iraq, Afghanistan or anyplace else. Period. On the other hand, we are going to look very carefully -- the Budget Committee will look carefully at it, the Appropriations Committee will look carefully -- at the supplemental request that this president has made for Iraq and Afghanistan.

In fact, in our supplemental at the beginning of the year, we provided additional funds for Afghanistan because we believed that the Taliban and al Qaeda are on the upsurge after five years, which we think is a testimony to the lack of focus of this administration on defeating terrorists where they are.

But I cannot predict, nor should I predict right now, for Mr. Obey? or for Mr. Murtha or for anybody else in the House or Senate exactly when we will do that. We are discussing it, we'll be discussing it in the coming weeks, as to when we need to move those forward. But I reiterate, we will assure that as long as we have troops in harm's way, that they will be supported and not left without the resources they need to protect themselves.

MS. SMITH: Irrespective of the timing on that, would you be

supportive of attaching other legislation to the supplemental?

REP. HOYER: That is certainly an alternative and under active consideration.

MS. SMITH: Would you care to suggest what those bills might be? (Laughter.)

REP. HOYER: No. (Laughter.)

MS. SMITH: We'll move on. (Laughs.)

REP. HOYER: Move on, that's another phrase. The Skelton bill essentially was a bill that we garnered consensus in the Democratic Party, both in the House and in the Senate. And the Skelton bill essentially said -- this is Ike Skelton, the chairman of the Armed Services Committee -- essentially said we need to change direction, we're going to give you a time frame in which to make that change of direction, and we will give you the time to do it so that we can do it safely, with as little adverse impact in Iraq as possible, and with the opportunity for the Iraqis to understand that they must take the responsibility, they must make the political decisions to bring reconciliation if they are going to have the stability that we hope they want.

MS. SMITH: There are several people in the audience who are interested in probing your thinking on SCHIP. This one probably consolidates it. With President Bush's planned veto of SCHIP, how many times do you think Democrats expect to reconsider the legislation? And what political or legislative changes do you believe will be needed if the bill is ever to achieve a veto-proof majority?

REP. HOYER: You know, all of us are perplexed by the president's stance on the vetoing of the SCHIP bill. Perplexed because in 2004 at the national convention, President Bush said, as I think I referenced, that it was his intention, if he should be reelected to a second term, to add millions of children currently eligible for SCHIP but not included in SCHIP because the funding was not available, in the CHIP program -- in the Children's Health Insurance Program. This bill does exactly that and no more. We do not change eligibility; we don't expand the program except by numbers of children.

If we pursued the president's proposal, CBO tells us that it might have the effect of dropping 850,000 children from the program. We believe that the American public overwhelmingly supports including children who live in families unable to afford insurance for their health care, overwhelmingly supports including them in the CHIP program.

The president attacks it as a step towards socialized medicine. The irony is the American Medical Association, not a proponent of socialized medicine; the American Hospital Association, again not a proponent; the American Association of Insurers -- all support this legislation, and the American Association of Retired Persons, so many more -- all support this legislation. It does what the president promised the American people he was going to do in 2004.

I hope in the next few days the president joins the overwhelming bipartisan majorities, with large minority part participation in both the Senate and the House, in saying that this bill ought to be signed. That's what Senator Grassley is urging him to do, that's what Senator Hatch is urging him to do, and that is what many Republican members of the House are urging him to do.

I pray that he does so. If he does not, Speaker Pelosi has made it very clear that we will continue to offer him opportunities to expand the CHIP program to these 4 million children. And indeed, in the House bill we went further.

MS. SMITH: A number of people have asked this question. They obviously want to tap into your political acumen. Are you concerned that if Hillary Clinton gets the Democratic nomination that she could hurt the down-ticket Democrats in competitive races?

REP. HOYER: No. I think Hillary Clinton, if she's our candidate, is going to be an extraordinarily successful candidate and a candidate who is increasingly showing -- in debates, on the stump -- her grasp of the issues and her ability to implement her policies.

I think we have in the Democratic Party a wonderful supply of very top-tier candidates, whether you're talking about Obama or Edwards or Richardson or Biden or Dodd.

I've left out one, maybe; I know I've left out some more. (Light laughter.)

But in any event, we have a great deal of good candidates, and I'm not worried about them, for any one of them hurting our down ballot candidates. I think next year is going to be a Democratic year for the House, for the Senate and for the presidency. Why? Because the American public does not support the policies of this administration either internationally or domestically.

MS. SMITH: We're almost out of time, but before asking the last question, we have a couple of very important matters to take care of.

First, let me remind our members of future speakers. On October 3rd, Mayor Adrian Fenty of Washington, D.C., will discuss mayoral accountability in education. On October 8th, Congressman Dave Obey, chairman of the House Appropriations Committee, will discuss the showdown over federal budget priorities. On October 10th, Robert Zoellick, the president of the World Bank, will be our guest.

And now, I'd like to present our guest with our typical gifts: the NPC certificate suitable for framing, except it already is -- (laughter) -- and the much coveted National Press Club mug. (Applause.)

REP. HOYER: Thank you.

MS. SMITH: I have one more question.

REP. HOYER: Oh, there's one more question.

MS. SMITH: One more question.

REP. HOYER: Well, I was just going to say, before I get the last question, that the Democratic Congress, if I hadn't mentioned it, passed one of the most sweeping ethics reforms in the beginning of this Congress. However, even under those ethics reforms, I can take these two items. (Laughter.)

MS. SMITH: When you and Nancy Pelosi were interns for Senator Brewster, did you ever imagine you'd end up running the House? (Laughter.)

REP. HOYER: (Laughs.) I don't know whether Nancy did; I certainly did not. And who could have predicted with Nancy Pelosi

sitting at the reception desk, a beautiful young woman, then some 23 years of age, and the older Steny Hoyer, perhaps, floating around the office doing, as the senator said, almost anything that needed to be done -- who would have predicted as they walked through that door that that young beautiful woman sitting at that desk, a receptionist desk, going to be the speaker of the House of Representatives, and that young man over there is going to be the majority leader of the House of Representatives.

What an extraordinary lucky duo we are. (Applause.)

MS. SMITH: Thank you very much.

I'd like to thank you all for coming today. I'd also like to thank National Press Club staff members Melinda Cooke, Pat Nelson, Jo Anne Booze and Howard Rothman for organizing today's lunch. And also, thanks to the NPC Library for its research. The video archive of today's luncheon is provided by National Press Club Broadcast Operations Center. Press Club members can also access free transcripts of our luncheon at our website, www.press.org. Non-members pay purchase transcripts, audio or videotapes by calling 1-888-343-1940. And for more information about joining the Press Club, contact us at 202-662-7511.

Thank you. We're adjourned. (Sounds gavel.)

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