First, a number of factors have brought us to this cash-strapped position. Under the previous administration, the PAYGO principle was abandoned, reckless tax cuts were passed for the wealthy and two wars were funded outside of the budget process. On top of that, our economy has seen one of the most severe recessions since the Great Depression. Congressional efforts to get the economy moving again have proven to be fairly effective thus far, but they have come at a price.

Understanding these problems and the long term fiscal restraints, what does the PAYGO legislation do? It will require that all new policies reducing revenues or expanding entitlement spending enacted during a session of Congress be offset over 5 and 10 years. As Congress did in the American Recovery and Reinvestment Act, PAYGO will include an exemption for legislation designated as an emergency.

PAYGO will require any future extension of upper income tax cuts to be offset, as well as force a serious examination of wasteful subsidies in the budget and tax loopholes that can be eliminated to benefit more worthwhile programs. This means that PAYGO will force advocates of tax cuts to acknowledge the costs and show how they will be paid for, as well as ensuring that we can afford to fund America's most important priorities consistently for future generations.

Certain exemptions on discretionary programs funded in the appropriations process will be granted under PAYGO. These programs are the low income home energy assistance program, our Head Start program, Pell grants, the special supplemental nutrition program for women, infants, and children, and housing assistance.

PAYGO will also establish an enforcement mechanism in nonexempt mandatory programs at the end of year if Congress has not already paid for the cost of all legislation enacted during that given year.

Mr. Speaker, this legislation is a priority for the President. He understands, as we do, that we must balance short-term deficit spending for economic recovery with a commitment to restoring fiscal discipline in the long term. The large deficits that we inherited as a result of the reckless borrow-and-spend policies of the previous administration have put pressure on funding for important priorities such as health care, education and clean energy jobs. We must ensure that regardless of who is in power, PAYGO will be a powerful impediment to reckless tax cuts financed by debt.

Mr. Speaker, the people of our country elect us to come to Washington to represent them in the best way that we can. After years of unrestrained spending, budget gimmicks and rampant waste, as well as fraud and abuse in Federal spending, it is clear we cannot continue along that same fiscal path. We are in a deep fiscal hole. However, with the right tools, including a statutory PAYGO budgeting process, we can reverse this dangerous trend and begin to put the country back on a fiscally sustainable path.

Mr. Speaker, that is why I support H.R. 2920 and encourage our colleagues to do the same.

□ 1100

FINANCIAL REGULATORY REFORM UNDER THE GROWING FED: A RECIPE FOR TOTAL GOVERNMENT CONTROL

The SPEAKER pro tempore. The Chair recognizes the gentleman from Florida (Mr. STEARNS) for 5 minutes.

Mr. STEARNS. Mr. Speaker, I rise this morning to address the critical issue of regulatory reform in our financial markets. In 1912, a year before he became President, Woodrow Wilson ominously stated ''waiting to be solved lurks the great question of banking reform.'' So here we are almost 100 years later, and we are facing the same lurking question.

The Treasury Department recently issued an 85-page white paper containing five main objectives for reforming or financial markets. Although a few of these objectives may sound good on paper, the devil is always in the details. A closer look at this new plan reveals a fundamental change to our financial system and economy that will stifle the innovation and competition fostered by the traditional American free enterprise system, giving way to a future of Big Government propping up all companies that are ''too big to fail.''

Specifically, the Obama financial regulatory reform plan calls for ceding the Federal Reserve a vast amount of additional authority with the power to create new requirements for capital and liquidity and for any firm ''whose combination of size, leverage, and interconnectedness could pose a threat to financial stability if it fails.'' The Fed, which has failed in the past as a regulator, will be allowed to oversee almost all aspects of any financial company in the United States and its foreign affiliates. Specifically, the Fed will be able to regulate, lend to and close down companies not normally under their control if they deem them to be a danger to the economy.

My colleagues, this is total government control. Additionally, the Treasury will be given more powers as well, such as the ability to appoint a conservator or receiver to ''stabilize'' any large financial firm that is failing, any large financial firm. This will be done in lieu of bankruptcy proceedings, and the result will almost certainly lead to those ''too big to fail'' institutions, backed by the United States Government, having the upper hand in the market, particularly when it comes to raising funds, and smaller competitors will be forced out down the line. Thus, we are destined for an economy dominated by what essentially are government-backed entities, like the Fannie Maes and Freddie Macs.

Big government backed by an all-powerful Federal Reserve isn't the answer to our financial problems. We cannot erode the components of our free market economy because we are afraid to let the market work. It will devastate the innovation and competition that has traditionally driven the American economy.

Another issue worth mentioning when discussing regulatory reform of financial markets is the issue of transparency and possible conflicts of interest. Bill Gross of Pimco, a private financial institution that manages the world's largest mutual fund, is heavily involved in the mortgage securities market and is an open proponent of the Treasury's public-private investment program. Interestingly, in the spring of 2008, Pimco actually presented a plan in Washington, D.C. for a public-private partnership, very similar to the plan that Geithner came out with this year. Pimco is now hoping to be one of the companies that the Treasury picks to help buy up some of the $1.25 trillion in mortgage bonds that have sank big institutions like Bank of America and Citicorp.

In addition, the Federal Reserve has also looked to Pimco to specifically ask for advice on which banks needed more taxpayer TARP funds to stay afloat. Pimco's close relationship with the Treasury and the Fed should not allow it to be the beneficiary of billions of dollars gained through Federal contracts and preferential investment opportunities, particularly with Geithner's public-private investment program he has proposed.

Mr. Speaker, a free market is an economic system in which individuals, rather than the government, make the majority decisions regarding economic activities. In a free-market economy, the government's function is limited, and it should act in a way as an umpire and issue regulatory procedures. The Obama financial regulatory reform plan will move us away from our free-market system and towards a future where the free market is negated by government over-involvement in the private financial sector. We are moving toward a system of permanent interdependence of big companies' reliance on big government. This is fundamentally un-American, and the long-term consequences of such a plan are dire.

Let's not make Washington, D.C. the bailout capital of the world for every private company in America. Let those companies suffer the consequences for their risky actions. Instead, let's be good stewards of taxpayer dollars, keeping in mind that more regulation doesn't mean better regulation and a powerful Federal Reserve isn't the answer to all of our financial problems.

BLUE DOGS ENDORSE PAY-AS-YOU-GO LEGISLATION

The SPEAKER pro tempore. The Chair recognizes the gentleman from Florida (Mr. BOYD) for 5 minutes.

Mr. BOYD. Mr. Speaker, I rise today to highlight the pay-as-you-go legislation that the House will be considering later this week. This is a bill that the Blue Dogs and I have endorsed for the last several Congresses. It is a priority of this President and of the House leadership and of more than 165 cosponsors of this legislation. I'm always intrigued by those who would oppose PAYGO, like my friend, Mr. PENCE from Indiana, who spoke earlier that basically criticized the deficit spending that has occurred, I assume that he would be critical of that in the last previous administration and this administration, but yet he seems to oppose the one tool that we have that has proven to control deficit spending.

The principle is simple, Mr. Speaker. If you have new spending programs, then you have to pay for them. It is very simple. PAYGO was one of the tools that led this country in the 1990s to record surpluses. However, that tool, PAYGO, and others that were in place, were allowed to expire under President Bush and the Republican leadership of this body in 2002.

Those who claim that PAYGO didn't work need simply to look at the numbers. When it was on the books, we had balanced budgets and even record surpluses. But after it was allowed to expire, we saw the explosion of new spending programs and spiraling deficits to go along with it. By putting PAYGO back into law, we will get back on the path toward fiscal responsibility and long-term sustainability.

It is no secret by anybody that works in this place and now even out in the country, that we have an unsustainable budget picture looking forward. When you have a budget hole, Mr. Speaker, the first rule of thumb, the first rule you need to follow is stop digging. PAYGO does that by ensuring that new programs that are enacted must be paid for. We owe it to our children and to their children to stop digging this hole deeper.

I urge my colleagues on both sides of the aisle to support this PAYGO legislation in order to return to fiscal discipline.

PAYGO WILL BRING ABOUT FISCAL DISCIPLINE

The SPEAKER pro tempore. The Chair recognizes the gentleman from Vermont (Mr. WELCH) for 5 minutes.

Mr. WELCH. Mr. Speaker, I'm here, too, to join in advocacy for the PAYGO legislation that is going to come before the House floor this week. PAYGO is what it sounds like. If we have a new program, we have to find a way to pay for it, either through cuts or revenues. If we have a proposed tax cut, we have to find a way to pay for it, either in a reduction in programs elsewhere or a shifting of priorities and spending.

It is a very simple, elemental approach. If you're going to buy something, you have to pay for it. Families know it, in their family budgets, they have to do it all of the time. And government really is no different. It is no different because in the end, if we borrow money, at some point we are going to have to pay it back. We have gotten into a habit in this Congress of not paying for things, in some cases, expenditure programs, and in other cases tax cuts.

We have had some back and forth this morning with our friends on the other side of the aisle, and without getting into the blame game, which doesn't get us anywhere, there is an irrefutable fact, and that is that in the past 8 years with the tax cuts, with Medicare part D that was not funded, with a war in Iraq and a war in Afghanistan on the credit card, we have gone from the largest surplus in the history of this country to the largest deficit in the history of this country.

What it means is that our kids and our grandkids are the ones who are going to have to pick up the tab. Aside from the fact that that is obviously unfair and none of us wants to pass the burden of debt for our spending on to others, it really is going to restrict what it is that generation can do to meet its own challenges to educate its kids, to provide health care to its kids and themselves and to provide for the national defense.

We have the capacity to impose on ourselves the same rule that families have to impose on themselves every month when they sit around the kitchen table and go over their checkbook and try to figure out how, at the end of the month, they are going to make the checkbook balance. And that is to accept the burden of the discipline of paying for our tax cut proposal or our spending proposal when we make the proposal.

Voters know that. They want fiscal responsibility. In fact, their concern about the deficit rightly is at the top of their agenda. We have had extraordinary circumstances here that have required extraordinary actions with the economy going off the cliff, with the stimulus spending and with the legacy of a war in Iraq and Afghanistan on the credit card.

We have restored truth in budgeting so that those two things, the wars in Afghanistan and Iraq, are now on the budget. So it is painful because we are seeing in black and white what the cost of those enterprises are, and we know that we are going to have to pay for them. We are not trying to hide it. We are being direct.

The American people are entitled to that candor, and they are entitled to have us respond by making certain that we, going forward, adopt pay-as-you-go principles. It is not just good in theory, and it is not just good for conservatives or liberals. It is good for everybody.

I'm a big supporter, I think most of us are, that in this country we achieve the goal of having all of our citizens covered by health care. Every citizen should be covered and have access to health insurance. Every citizen should help pay for it. And if you lose your job, you shouldn't lose your health care. The President has acknowledged that as worthy as that goal is, we must pay for it. And the health care bill that we are now considering has to be paid for. What a difference from what happened with the prescription drug program that was largely put on the credit card and it is not able to sustain itself or pay for itself.

One of the reasons it is so important to have PAYGO is that it imposes the discipline on us to kick the tires of a program. Health care is a great example. We need it. We have good health care in this country. But the cost is going up at two or three times the rate of inflation, two or three times the rate of profit growth, two or three times the rate of wage growth. So people are falling behind. The middle class is getting squeezed. They are facing higher co-pays and deductibles. By adopting PAYGO, it is forcing us to look at our delivery system and ask yourselves how can we reform the delivery of health care to make it more efficient and provide more value for less money?

In fact, there are examples after examples of how we have, in many cases, excess utilization. So this bill is going to be helpful to all of us. And it is very important that we pass this legislation.

GOVERNMENT-RUN HEALTH CARE WILL LEAD TO RATIONING

The SPEAKER pro tempore. The Chair recognizes the gentleman from Louisiana (Mr. SCALISE) for 5 minutes.

Mr. SCALISE. Mr. Speaker, right now Americans all across the country are dealing with this tough economy, many by tightening their belts and by managing their family budgets. Unfortunately, they are looking to Washington, and they are seeing this Congress that is being run by people that don't get what the American people are dealing with across the country.

Spending is out of control here in Washington by this administration and by this Congress. Look at the proposals that we are debating today. Health care in America needs reforms. But with all of the problems that exist, we still have some of the best medical care in the world. In fact, people that live in countries that have a government-run plan and who have the means, come to America to get care because in those countries, government takeover of health care has led directly to rationing of care. And so what are we facing today? We are facing a plan by the President, Speaker PELOSI and others here to have a government takeover of America's health care system.

When you read this bill, and you hear all of this great rhetoric, you hear the