

**SEN. JOHN HOEVEN, R-N.D., IS INTERVIEWED THE ATLANTIC ECONOMY SUMMIT 2013**

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SPEAKERS: SEN. JOHN HOEVEN, R-N.D.

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CLEMONS: Folks, I'm going to sit here right now. Welcome Senator John Hoeven.

(APPLAUSE)

CLEMONS: How are you, sir?

HOEVEN: Good to see you. How are you?

CLEMONS: Come join me on the couch. This is Senator John Hoeven, and welcome to our Johnny Carson Show here.

HOEVEN: Ah, thank you. Yeah, very comfortable couch up here.

CLEMONS: Yeah, we've been having a full day. This has been a marathon where we've been discussing various stakeholders, various perspectives on what a healthy economy looks like, what the balance is between investment, taxes, and of course there are a lot of budget plans floating around, and angles.

But one of the reasons I invited both Senator Joe Manchin -- Joe has a family emergency and had to cancel everything today, gave me a call and really regretted not being here.

HOEVEN: I'm sorry to hear that.

CLEMONS: And Senator Hoeven who is the -- not only senator from North Dakota, but a former governor of North Dakota. And the reason I was inviting Joe Manchin is because he was a former governor of West Virginia.

And when you go out and you look at the debates about how to get budgets right, how to get things done, and you look at chief executives who ran states, they don't really have the convenience of not coming up with something. And so, I thought I'd basically invite you to give your take on -- I mean, you had dinner with President Obama the other night -- must have been...

HOEVEN: True.

CLEMONS: Was that a fun thing? Or did you have other, better things to do.

HOEVEN: Oh, I think it was very worthwhile. I hope there's more of that kind of dialog.

CLEMONS: Yeah? But tell -- what I wanted is not just to talk about the current budget thing, which we can get into, but give us a little insight into how governors approach these, what are often insoluble problems inside their states?

HOEVEN: Well, most states have a balanced budget requirement in their Constitution. And that's certainly true in my state. I think it's true in virtually every state except for maybe one of the New England states. I'm not sure. But I think virtually every state has a balanced budget requirement now.

So the governor has to submit a budget proposal that balances. Some states have a session every year. Many of them, like North Dakota has the state on a (biannual) basis. Some have a (biannual) session and then they have a shorter session in the interim year. But you are required to submit a budget proposal to the legislature, state legislature. And you're required that it balance. And of course I strongly favor a balanced budget amendment, so I think that just makes sense.

I was governor from 2000 to 2010, in my state. And when I started, actually, basically after my first full year I was forced to cut almost every single budget. And I had a choice. I could either bring the legislature back in and have them re-do the budget, or I could make what's called allotments go through and actually make reductions. And that's what I did rather than bringing our legislature back.

And so I did that early in my term. But after that, we really got our economy going and we actually are now the fastest growing state in the country and we have the lowest unemployment. So we went from actually having the cuts to both reducing taxes and providing more fund . . .'

CLEMONS: Now, you're a Republican. Did the Democrats enjoy what you did? Did they actively participate? Did you deal with them as solid partners in the process, or were they trying to throw up hurdles every moment?

HOEVEN: Well, obviously my philosophy is a Republican philosophy, but I found as governor I had to work with both parties. And that's something we're going to have to do more of in Congress.

And that's why -- you know, you asked me just a minute ago about the dialog with the President. And I think it's very, very important that the President stay directly involved with Congress on an ongoing basis, until we get through the budget process and we truly get the kind of reforms, both to our tax code and to entitlement programs, that we need to get, to get our country back on track.

But the President has to be directly involved with Congress in doing it. Obviously they have to be bipartisan. And I think as long as he stays involved with us, we have a good opportunity or a good chance to get it done. If he kind of goes back, out traveling the country and saying, "Oh, Congress, you're the problem," then I think it's going to be very hard to get an agreement.

CLEMONS: Is there another plan for another dinner?

HOEVEN: What we talked about, I mean, the focus of our discussion last week at dinner was, how do we get on top of the debt and deficit? How do we come together on a big deal? How do we get pro-growth tax reforms, and at the same time get entitlements reform that protects and preserves Social Security and Medicare, but where we come together and get this done to address the deficits and debts. How do we make this happen?

And there is clear disagreement at this point. The President wants another \$600 billion in higher taxes. Republicans, like myself, believe that, yes, we need revenue. But you get it from economic growth, not higher taxes. So that's the bridge that we've got to -- or that's the divide that we've got to somehow bridge.

My comment, and others, to the President was, "You need to be directly involved with Congress on an ongoing basis until we get to a solution." And I believe that. So I said it very directly. Well, what's -- how's the President responded?

Well, so far, that was last Thursday evening, or Wednesday evening, I think. Thursday he met with Van Hollen and Ryan, so Paul Ryan who's head of the Budget Committee in the House and Van Hollen who's the ranking member.

Yesterday he was up meeting with the Democrat caucus, Senate caucus. Today he met with the Republican House caucus. Tomorrow he'll be meeting with the Senate Republican caucus. So, so far he is demonstrating that he is engaged in the dialog.

CLEMONS: Do you think that made an impact on the Paul Ryan budget?

HOEVEN: No. I mean, clearly, the Paul Ryan budget and the budget that Senator Murray submitted today are very different. I mean -- and we can go through them. But the point I'm making is that is exactly -- I mean, if you want to use those as kind of -- OK, here's the Paul Ryan budget. Here's Senator Murray's budget. She has \$1 trillion in tax increases in that budget, and it doesn't balance.

The Ryan budget does not have tax increases and it balances with an (S). OK. And we can talk about different aspects. But there you go.

From there, we've got to get those -- not only to reconcile, but we've got to address the debt ceiling again by May.

CLEMONS: Mm-hmm.

HOEVEN: The President needs to be involved in this. He has a huge stake in it, so don't go back to going around the country and saying, "Oh, it's Congress's fault," like he's got nothing to do with it. You stay here and you solve the problem. That's how I think this works.

And that is exactly how governors (inaudible).

CLEMONS: So, you and I recently had a fascinating exchange about energy, and the energy profile of North Dakota and shale gas and what not being a game changer, not only for your state but really for manufacturing the economy that really, really does dramatically change a lot of potential of the economic profile in the U.S.

You also expressed it, saying, "Hey, on all of the above, folks, you can basically help create other energy options in that arena. And I find that as an important a piece of the economic puzzle for America as discussing budget and taxes and investments. And I'm wondering if you might share with us a little bit, again -- maybe a step-aside from the heated debate about where things are at. What is a healthy balance between taxation and government involvement and laying the foundation, and what the private sector needs to do?"

Somebody made a comment this morning that much of the technology of the shale gas development came out of, you know, the advanced research project agency and out of advanced science investments in the United States. That under this, that under the sequester, you know, maybe in the arenas that are getting cuts.

But I'd like to just, kind of, get a snapshot, not only as a senator, but as a governor that looks at, "What is a healthy balance, you know, in getting the equation right?" Because I think we don't have a really big picture portal that's put out there of how good it could be, as opposed to how bad, you know, D.C. is at the moment.

HOEVEN: You're right. I mean, you know, I mean that was phrased as a question, but you made a point and you're absolutely right. We're going to get out of the deficit. We're going to get people back to work with economic growth. Even in the Paul Ryan budget, the budget increase is 3.4 percent a year, every year, over ten years.

So, yeah, we've got to get a better grip on our spending. There's no question about it. Spending's increased something like 65 percent over the last decade on the part of the federal government. Obviously we've got to get control of it.

But we can't do this without economic growth energies and incredible opportunity. And it's foundational. Like you say, it brings down costs and empowers so many other industries as well.

So again, you kind of phrased it as a question, but you're making a great point. We've got to get economic growth. But that's what this dialog is all about. The President is saying, "We need revenue, we can't just cut." Republicans are saying "We need revenue, we just can't cut."

The different is how you get the revenue. In other words, are you going to do better in terms of getting revenue if you don't raise taxes, if you engage in pro-growth tax reform, you reduce the regulatory burden, you empower investments, you unleash things like Keystone XL pipeline, a multi-billion dollar project that's going to help us produce more energy, create jobs, and help eliminate our dependence on foreign oil from the Middle East?

Or do you keep coming with stimulus packages where government continues to grow and spend more? Those are the competing visions for the country that we have to reconcile. But it is about getting revenue, but from growth, from economic growth, from unleashing this private sector.

And just think for a minute. Look at the stock market. Record highs. Now, some will just dismiss that. "Oh, that's because Ben Bernanke and the Fed are continue quantitative easing and they're putting money in the system, and that's all it is."

Well, there's a lot more to how the stock market works than that. The stock market is anticipatory. And I would submit to you the fact that we're actually getting to grappling with the real things that we need to deal with in terms of the challenges this country faces with growing the economy and debt and deficit is being reflected in the markets. And, hey, those guys are actually getting together.

Budget control act, \$2.1 trillion in reductions and sequester is going to be enforced. So we'll actually have the \$2.1 trillion in reduction. President Obama forced through \$600 billion in tax increases on higher end. So now that's \$2.7 trillion actually working to reduce the deficit. Now we're into this entitlement piece and pro-growth tax reform.

If you start taking all those together, you start to get to a Simpson-Bowles type solution, not all at once, but in pieces. Maybe the market's looking at that and going, "You know what? With the budget process and the debt ceiling coming up and these guys actually talking, maybe we'll get to actually doing some of these things we need to do."

CLEMONS: I want to move to questions in a moment. And I don't know if you know, Grover Norquist is coming up shortly. He might be fun to join this, if you want (inaudible).

HOEVEN: Sure. That's fine.

CLEMONS: But, before we go to the questions, and I'll invite people to come up to the microphone. The - one interesting thing is, you know, maybe -- I'd be interested to know whether you think we're just having this debate a few years too late? Should this debate have been taking place, say, maybe second term Bush Administration? So, before then -- one of the issues that has come up a lot is essentially the cost of the work.

Grover -- in my view, Grover Norquist broke the back of the support for the Afghanistan war in the country because he was going on to Jon Stewart and Stephen Colbert and saying we're spending \$120 billion a year in a country with \$14 billion GDP. And before that, conservatives didn't question the war. And it was Grover raising that interesting question.

But when you look at 9/11, what we spent in the United States on September 10, 2001, and you look at that level, and you say, "That's what Americans spent to feel safe before bin Laden attacked us," and then you -- you know, added inflation, we spent, just in the DOD budget, \$2.7 trillion more over a period of time. That's a lot of money that we weren't necessarily increasing taxes for.

So I'm always interested in the balance between big national need, however it's perceived at the time, and willingness to pay for it.

And so at that point the country, and Bush Administration said, "Here's a big national need. And I think Democrats and Republicans will support it." But they didn't feel it strong enough to raise taxes to pay for it. And I'm wondering if that has contributed -- and what happens if a big national need hits tomorrow? What does that do to this debate?

HOEVEN: Well, again, we've just had a tax increase. And I frankly think that it's counter-productive to raise taxes because I think it will hurt our economy. And without that economic growth, you get less revenue, not more. And I look to my state as an example of what we've done.

So I think the reality is we do have to control spending. There will be a reduction in military spending, typically what's OCO, overseas continued operations. But ...

CLEMONS: That's a sizable amount, too, right?

HOEVEN: Oh, well, like you said, we're spending \$100 billion a year in Afghanistan. Obviously, that's going to diminish significantly. At one time we were doing that in both ...

(AUDIO GAP)

CLEMONS: Do you have someone to just keep going until Grover shows up?

But are there any proposals to look at -- you know, one of the other debates on entitlements is you've got Social Security that's this huge trust fund, but huge liability. And you've got Medicare that most people recognize and say, that's where your big problems are, over time.

But is there anybody that's saying we need to not drive so much of the Social Security trust fund into Treasuries and into basically allowing the U.S. government essentially to self-finance a lot of these issues? That if you had a different management structure like, say, the Canadians do, or something, to get -- that might get higher returns, you could turn this bleak and bleary topic of Social Security into, you know, the largest sovereign wealth fund in the world.

And it would change overnight the way global gravity thought of the U.S. investment around the world as, say, opposed to China, or UAE, or something?

And, you know, I'm interested in these questions of why can't we pursue higher returns with, you know, the gains in hard work and, you know, the payroll tax contributions that Americans are making, get higher returns on that? And then turn it into a rosier picture? And that, to me, sounds like a conservative -- what ought to be a conservative idea.

HOEVEN: Uh, that is -- I mean, there may be some discussions about that. That's not the discussion that I've heard or been involved with.

The real discussion in regard to entitlement programs, Social Security, Medicare, and Medicaid, is how do we make bipartisan reforms in a way that preserve the programs, but still make sure that they're structurally sound for the future and help us address our debt and deficit. And do it in a way -- and do it in a way where, for people who are at or near retirement, you're really not changing them. Because they've been counting on them in the form that they exist.

But for younger people, start to make some adjustments that really, you know, fit with the demographics that those younger people have.

And I think there's absolutely a way to do that, and you actually can create support both from seniors who say, "OK, my program's not going to change," and from young people who say, "Darn right, I want to see some things like indexing and some means testing, and so forth, because otherwise it won't be there for me."

I think that is -- I think we can do that, and it's a question of working together, like we talked about, when I met with the President. I absolutely think it's doable.

For example, we talked about means testing Medicare for wealthy people. I think people will go for that, OK? I think younger people will say, "Yes, I understand there's going to have to be some indexing, because I'm going to live longer, and I'm going to work longer." I think there are perhaps some realities that we can come together on, to get that job done. And that is the real discussion.

Take Medicaid. Do you want to talk about governors? Well, when you say, "OK, we're going to give the states the money. We're going to index it for inflation and for your population growth, but then we're going to give you flexibility to deliver Medicaid the way you want?" Boy, a lot of governors would say OK to that.

But, look, there are things we can do, and that's the real discussion we're having now.

CLEMONS: Do you mind if Grover joins us for a few minutes before you leave?

HOEVEN: Not a bit.

CLEMONS: Grover, come on up. Everybody, ladies and gentlemen, president of the Americans for Tax Reform, Grover Norquist.

(APPLAUSE)

Just, just -- Grover, how are you?

NORQUIST: I like this style more/

CLEMONS: Have a seat. Come on over. And you know, we won't keep you too long here, but . . .

HOEVEN: No, it's fine.

CLEMONS: . . . it'll be -- Grover, thank you for joining us. And we were just talking about the President's dinner with a group of Republican senators the other night. I was going to ask John how often your name got mentioned, since the President's using your name a lot in speeches lately.

How does that feel, by the way, to be talked about by the President in, like, the State of the Union addresses and what not.

NORQUIST: Well, of course, what it really is, is a placeholder for the American people's decision that they don't want higher taxes. And a majority of the members of the House of Representatives and many of the senators have been elected with a written commitment to their voters that they won't raise taxes.

So, reform government . . .

CLEMONS: Many people think they made that oath to you personally. You're kind of like the pope, there's a new pope today, but I guess they look at you as the pope here.

NORQUIST: The pope is not going to raise taxes.

CLEMONS: But your line is they didn't make that oath to you, they made it to the American people.

NORQUIST: Yes. And our website, ATR.org, you can actually see the wording of the pledge. The pledge is to the American people and the people of their state. And we share with people, remind them who's taken the pledge and who hasn't. And sometimes that . . .

CLEMONS: Did you take the pledge?

HOEVEN: I did not. But . . .

CLEMONS: I have not arranged this on his behalf, I just want you to know.

HOEVEN: I have not taken the pledge, but I have a very, very good track record of not raising taxes.

CLEMONS: You've got a big old surplus in North Dakota, I was just reading. A billion dollars. Is it more than that now?

HOEVEN: Oh, yeah, it's more now.

CLEMONS: But we're just basically talking about -- essentially, Grover, today, what a healthy economy looks like, and what the balance is between, you know, when you've got long-term commitments like defense, and entitlements, and investment in education, and investment in technology.

You know, Adam Smith even wrote a book once -- I remember -- wrote once about the essential role and function of government, to commercialize those who are (inaudible) -- can bring to the market things that the market wouldn't support. And to handle many of the functions that government wouldn't do.

I remember working for Senator Jeff Bingaman, one time Newt had talked about Adam Smith. I said, "Oh, let's go see what Adam Smith really wrote." And he writes about the fact that there needs to be an essential role and function of government. And I'd love to hear from you what you see as the essential role and function of government, if you think there is one, or more.

NORQUIST: I'm a little closer to the (Hayek) and Reagan than I am to that foreigner, Adam Smith.

CLEMONS: Uh.

NORQUIST: The -- no, I think there's obviously a role for government. You need to have a national defense, strong enough to keep the Canadians on their side of the border.

(LAUGHTER)

And . . .

CLEMONS: Right up near North Dakota, right?

HOEVEN: We're watching.

(LAUGHTER)

NORQUIST: Keep an eye. Let us know if they start moving.

HOEVEN: Exactly. Paul Revere.

NORQUIST: The -- and, of course, you need property rights and contracts protected. But at some point government can get so large it becomes abusive of human liberty rather than conducive to human liberty. And I guess things that are mentioned from time to time in the Constitution are probably a good starting point for things the government might want to do.

CLEMONS: John, do you see -- and I'm not going to keep you much longer because I want to put you on that -- have you accountable for Grover, Grover accountable for what's going on in North Dakota.

But do you -- are you generally optimistic? And one of the other things is, is this something -- I've been asked to write an article right now on whether there are any embers of bipartisanship and sort of sensible deals that

can be done? Or are you -- when we spoke a few weeks ago, you still thought it was pretty bad, the temperature was pretty bad. Of course, that was before you were dining with the President and other Republicans.

But do you think that there's a real chance that this move off of brinksmanship, gain, brinksmanship, gain, brinksmanship, gain, into a more constructive track?

HOEVEN: Yes, I do. And I think, again, if the President stays engaged with Congress to work towards a solution, then I think we can get there. If he goes back to traveling around the country and saying, "Oh, look, it's this Congress's fault," and somehow he isn't responsible, then it's going to be very hard to do.

What we're doing in the Senate today is working on a continuing resolution that will fund government through the balance of the fiscal year. The House passed, last week, the continuing resolution, we will fund government for the balance of the fiscal year. And then the sequester is applied to that continuing resolution so it reduces the discretionary funding by \$85 billion.

That passed the House. Now it's over in the Senate. Typically, those types of bills have not been able to move through the Senate because the Senate's controlled, obviously, by the Democrats.

But we actually now are engaged in a debate on the floor right now to pass that CR which would both fund government for the balance of the fiscal year and make the sequester reductions. So tax increases and make the sequester reductions. And I think we have a shot to move that on a bipartisan basis. That's a step.

Now we go into the budget battle. The House will pass a budget. The Senate will pass a budget. The Senate budget will pass with Democrat votes. They only need 51, and they're already proposing a \$1 trillion tax increase. I don't think that will get any Republican votes. OK.

So now you've got a Senate budget and you've got a House budget, which seem very hard to reconcile those two budgets. And you've got the debt limit that's coming up May 1. That's why I contend if we keep the President engaged and accountable, we have an opportunity, hopefully, to truly get an agreement to address some of the structural reforms we need to make. We'll see how that goes.

But I think that's our best shot right now, is to try to force people to deal with these issues that we need to address for the American people.

CLEMONS: Just -- just before you go, because I know you've got a tight schedule. The -- when I talked to Joe Manchin who was going to be with us today, and one of the things -- I know that one of the things he was going to share is that it's just a completely different culture on Capitol Hill as opposed to the culture in states, again with the chief executive running it.

You've got so many people who've been elected, both parties, Democrats, Republicans, who just -- they're - - they don't look at balancing budgets and achieving the kind of balance you had to do as governor, as something that's a high priority. And he blames both parties for it. And he things there's seven or eight governors that are in the Senate now that have just a very different style and orientation. But, of course, they're not the majority.

Is the culture of how we elect leadership one that's bringing to these important decision makers the kind of people who aren't disciplined to be serious about these questions?

HOEVEN: Well, I think governors bring a certain perspective. And I was a governor for ten years, so I obviously, you know, that's a perspective that I agree with.

But, look, it's incumbent -- and, by the way, too bad Joe's not here because he's certainly much more colorful and fun than I am. I won't say that about Grover, of course. But he is -- he's a wonderful, fun, good friend of mine, a great guy, and I love working with him.

CLEMONS: You guys agree on much?

HOEVEN: But, but -- a lot.

CLEMONS: Yeah.

HOEVEN: Joe and I?

CLEMONS: Yeah.

HOEVEN: Oh, of course. Regardless of where you come from, it is our responsibility to get a job done for the American people. That we have to do.

(APPLAUSE)

Good to see you.

CLEMONS: John, thank you very much. Thank you, sir.

Ladies and gentlemen, John Hoeven.

Grover, we're going to sit down and continue our discussion.

END