Transcript of Opening Statement by Senator Kent Conrad (D-ND)
at Senate Budget Committee Hearing
with GAO Comptroller General David M. Walker
February 8, 2005

I want to welcome Comptroller General Walker to this committee. Your work has been very valuable.

I want to just go through a couple of slides, if I could, to put this in some perspective, at least from my perspective, and then I look very much forward to your testimony. You said on February 2 to the National Press Club, "The American people need to realize that the fiscal choices being made in Washington today have profound consequences for the future of our country, and our children. In a nutshell, these fiscal choices will directly affect our future national security, economic vitality, and quality of life."

I think you summed it up very well. These decisions, if I were to sum up your statement, really matter. They matter to our economic security. They matter to our children.

As I look at the President's budget, I believe it continues to push us toward bigger and bigger deficits and more and more debt. I look back to before he took office – we actually were in surplus. In fact, for two years, we didn't use Social Security funds for other purposes. And since the President took office, we have plunged back into the red.

And the President says the deficit is going to significantly improve over the next five years, but he only gets there by leaving out things. He leaves out war costs past September 30 of this year. He leaves out fixing the alternative minimum tax altogether, which is becoming a middle class tax trap. He leaves out the second five years of his tax cut, which is when the cost of it explodes. He leaves out item after item. When you put them back in, what you see is quite a different pattern than what the President is telling the nation. Then, of course, he leaves out the cost of his Social Security privatization plan. All those things are left out. When you put them back in, here's what we see happening: a deepening of the deficit, additional debt, and all at the worst possible time before the baby boomers retire.

As we look at this dramatic turnaround from surplus to deficit, 74 percent of the reduction in our fiscal condition is a result of changes on the revenue side of the equation. Now, not all of this is tax cuts. About half is tax cuts, about half is other things. Twenty-six percent is an increase in spending. Virtually all the increases in spending have been for national defense and homeland security. And, of course, the big change in entitlements, the prescription drug bill that we passed, which apparently is exploding in cost as well, as Senator Gregg was concerned about. He is being proved to be correct, that the cost of that program is dramatically increasing beyond what we were told at the time.

This chart I think is very important to keep in mind because it looks at spending, that's the red line and the green line is revenue, and this goes back to 1980. We can see spending, even now, even after the increase largely due to defense and homeland security, rebuilding New York – this spending level is still well below what it was throughout the '80's and into the '90's. The revenue has had tremendous changes. In the last several years, it has just dramatically fallen. So we've got a problem on both sides of the equation here, longer term on spending and also on revenue, and this gap is the reason for the deficit.

The President says to us we have a deficit problem. Then he increases spending this year, 2004 to 2005 spending is increasing eight percent. Next year, according to our calculations it will go up another five percent. But the President is also saying make the tax cuts permanent. And when you overlay that against what is happening to the trust funds of Medicare and Social Security, what you see is the tax cuts explode just as the trust fund cash surpluses become deficits. The combined effect is to drive us deeper and deeper into deficit and debt.

This chart looks at the shortfall in Social Security over 75 years, $3.7 trillion. I also asked my staff to do an analysis of what the 75-year costs of the tax cuts the President has proposed. That's $11.6 trillion. The tax cuts are three times the 75-year shortfall in Social Security. Let me just say I don't conclude from that that we don't have to do anything about Social Security. I believe we do. I believe we have to address the Social Security shortfall.

I believe we have an even more urgent need to address the Medicare shortfall because Mr. Walker, as you have indicated, the shortfall there is 8 times the shortfall in Social Security. So I believe we should be working on both of those, as well as the revenue base of the country. I look forward to your remarks. I want to thank you for sounding the alarm that we're on a fiscal course that is simply not sustainable.