

**Floor Statement by Senator Kent Conrad (D-ND) on OMB Mid-Session Review
July 11, 2006**

Today is the day of the so-called Mid-Session Review in which the administration takes a middle-of-the-year look at our budget circumstances. The President has already held an event in the White House, the Budget Director is speaking to the National Press Club, and they are heralding the improvement in the deficit outlook as proof that their fiscal plan is working. That is an interesting spin. That is an interesting way of looking at these facts.

Let me give you what I consider to be the other side of the story, or perhaps it is better described as the rest of the story. The President is saying there has been a \$100 billion improvement in the deficit outlook. Well, not really because that is based on his earlier projection that many of us said, at the time, overestimated what the deficit would be, for the very purpose of later this year, when the deficit wasn't that big, to claim great success. That is exactly how things have played out. But if you compare the new deficit projection with what the actual deficit was last year, instead of getting into the projection game, the actual deficit last year was \$318 billion. Now they are saying the deficit this year will be \$296 billion.

Is this cause for some great celebration? Is this some dramatic improvement in the deficit? I wish it was, but I think people can reach their own conclusion. I think it is a pretty modest improvement over last year's deficit.

At the same time, the thing that is getting no attention is the real threat to our long-term economic security, and that is the debt of the country. And the debt increase last year was \$551 billion. With these new numbers this morning, the debt this year will increase by \$593 billion. So the amount of the debt increase is actually growing. The debt is getting bigger, and it is getting bigger than it was last year. That is even with these new numbers. This is almost a \$600 billion increase in the debt.

The White House is saying: Well, there has been this dramatic improvement in revenue, and that proves that if you cut taxes, you get more revenue. No, that is not what it proves. I wish it would prove that because then we really would have the tooth fairy working for us. That would be great. Wouldn't it be wonderful? You cut taxes, you get more money. But here is what has happened. Here is the historical record.

In 2000, revenue, as a percentage of gross domestic product, was about 21 percent. It is true that this year we are getting an increase over last year's revenue, but it is still way below what it was back in 2000.

If you look at it on an inflation-adjusted basis, you look at the revenues that we have received, you adjust it for inflation, what you see is now, in 2006, we are getting back to the revenue we had in 2000. So in 2000, we had over \$2 trillion in revenue. We had massive tax cuts in 2001 and revenue went down. In 2003, revenue went down some more. We had another big tax cut. Revenue stayed down for 2004 and 2005. Now, only in 2006, are they projecting that revenue will go beyond what it was in 2000. This is not proof of the theory of the tooth fairy that if you cut taxes, you get more revenue.

In fact, if you look at individual income taxes, where most of the tax cuts have been, you see -- and this is not adjusted for inflation; this is in nominal terms -- we had \$1 trillion of individual income tax revenue in 2000. You can see every year after that: 2001, 2002, 2003, 2004, 2005, every one of those years we had less revenue than we had all the way back in 2000. It was not until this year that they are now projecting that we will have somewhat of an increase over the level of revenue in 2000.

If one wants to talk about projections, if you go back to their projections in January of 2001, they said this year we would have \$2.7 trillion of revenue. Instead, we are going to have \$2.4 trillion in revenue. So we are far below what they projected back in 2001.

This is from the *New York Times* of July 9: "Revenues are still below historical norms. One reason the run-up in taxes looks good is because the past five years looked so bad. Revenues are up, but they have lagged well behind economic growth. Compared with the size of the economy, tax revenues are still below historical norms and far below what the administration predicted as recently as 2003." "Far below." This is not this magic supply-side epiphany that some are now claiming today.

In fact, if one looks at the debt, the increase in the debt, here is what one sees. When President Bush took office at the end of his first full year -- because obviously he is not responsible for the first year; he is inheriting a budget -- at the end of his first full year, the debt was \$5.8 trillion. At the end of this year, they are now saying it will be \$8.5 trillion. And in 2011, they are now saying the debt will reach \$11.5 trillion. This is an explosion of debt, and they are claiming great success. Excuse me. This is a great success? What would a failure be? They will have doubled the national debt.

When we look at foreign holdings of U.S. debt, here is what we see. It took 42 Presidents -- all these Presidents pictured here -- 224 years to run up \$1 trillion of external debt -- U.S. debt held abroad. This President has more than doubled that amount in just 5 years. This is a success? I don't think so.

Looked at another way, it is stunning. Here are the world's biggest borrowers. If you look at all of the money that is being borrowed in the world, you see the United States in the No. 1 position. We are borrowing 65 percent of all of the money that is available to borrow. Let me repeat that. The United States is borrowing 65 percent of all of the money that is available to borrow. Look at this. We have the United Kingdom borrowing about 4 percent of what is available; Spain, 7 percent; Australia, 3 percent; France, about 3 percent; Italy, 2 percent; Turkey, 2 percent. And the United States is borrowing 65 percent of all of the money being borrowed in the world. This is not a sustainable course. This is not something that can be continued.

So while the White House is out bragging about their achievements, let's just remember their budget record: Four years in a row of record deficits, debt projected to soar to more than \$11 trillion by 2011. They have more than doubled foreign-held debt in 5 years. There is very little real revenue growth since 2000. Revenues in 2006 are still far below original projection. And every penny of Social Security surplus is projected to be spent on tax cuts and other things over the next 10 years. Again, \$2.5 trillion of Social Security money is going to be spent on other

things. On the other hand, they say there is a big shortage of Social Security? Well, they are helping to create it.

A new budget process proposal has been made by our friends on the other side that would circumvent Social Security protections and fast-track a Social Security privatization plan. They have repealed and increased the spending caps for next year that they put in place last year. They have come out with a big, new plan, more spending caps, more budget points of order, but they just repealed the spending caps they put in place last year.

Now we are told they will not have a budget this year at all. The country simply will not have a budget.

The Comptroller General of the United States has warned that the budget outlook is getting worse, not better. This is what he said: "Our problem is our large, long-term deficit, and the sooner we deal with that, the better." Walker, the Comptroller General, "warned of a false sense of security: We're in much worse shape fiscally today than we were just a few years ago." He said this on July 11.

Mr. President, the Comptroller General is telling the truth. Our budget situation is not getting better; our budget situation is getting much worse.

Here is what is happening to the debt. You didn't hear the President mention anything about the debt. They don't want to talk about the debt because the debt is exploding. The debt is going up, up, and away. And this is before the baby boomers retire. If the budget were to pass that has gone through both Houses of Congress -- which we are now told is not going to pass, we are not going to have a budget -- if it were to pass, they would add \$3 trillion to the debt over the next 5 years. It is simply stunning.

The former CBO Director who, by the way, was an economic adviser to the President before he was CBO Director, said this: "The long-term outlook is such a deep well of sorrow that I can't get much happiness out of this year," said Douglas Holtz-Eakin, a former Director of the Congressional Budget Office and a former White House economist under President Bush. He is telling the truth.

This notion that there has been some dramatic decrease in the deficit just misses the fact. The fact is the deficit last year -- the actual deficit -- was \$318 billion. Now they are forecasting it is going to be \$296 billion this year. That is not some great improvement. That is an improvement, but it is very modest.

At the same time, the deficit is getting a little better, the debt is getting a whole lot worse. Last year, the debt increased by \$551 billion. This year, the debt is going to increase by \$593 billion.

All this happy talk today from the administration about how great things are reminds me a little of somebody holding a press conference to brag about the new lifeboats on the Titanic. Yes, it is a nice thing that the deficit numbers are a little better, but it misses the larger reality. The larger reality is this ship of State is in deep trouble. We are in an ocean of red ink, and nothing

substantial is being done about it under this administration. Instead, the debt is growing and growing dramatically.

Even with these new numbers, that is what is happening to the debt of our country. It is skyrocketing, and it is skyrocketing at the worst possible time -- before the baby boomers retire. Remember, the baby boomers are going to start retiring -- the leading edge -- those eligible for Social Security, in 2008, and we are going to leave them a legacy of debt unprecedented in our Nation's history.

The President does a disservice to the country, as do members of his administration, when they talk about the fiscal circumstance dramatically improving. It is not. It is not. The deficit has improved modestly over the deficit of last year, but the debt is actually growing more rapidly than the debt grew last year. And there is absolutely no relief anywhere in sight. The President and this administration owe it to the American people to come forward with a plan to address this crisis of debt.