Remarks by Senator Kent Conrad (D-ND) on
Senator Ensign's Dynamic Scoring Amendment at
Senate Budget Committee Markup of GOP Budget Process Proposal
June 20, 2006

Mr. Chairman, if I could respond to this amendment.

We were having this debate earlier with Senator Sessions, and he said nobody has made this claim. The President made the claim. In February of 2006 when he was with our colleague up in New Hampshire: *"You cut taxes, and the tax revenues increase."* That's what the President said.

Let's go to the record. Here is what has happened to real revenues:

- in 2000, we were over $2 trillion;
- we had the major tax cuts in 2001, revenue went down;
- in 2002, revenue went down some more;
- in 2003, revenue went down some more;
- in 2004, we still were not even back to where we were in 2002 and we had more tax cuts in 2003;
- in 2005, we still weren't back to the revenue base in real terms, and in nominal terms, we just got back to where we were in 2000.

So this idea that the tax cuts pay for themselves, it doesn't work in the real world.

Now, reference was made earlier about how revenue is really jumping so this proves the fiscal policy has worked. Yes, revenue has increased the last two years in nominal terms. But in real terms, in inflation adjusted terms, we're still not back to the revenue of 2000.

Look at this. This is very interesting. If you compare this recovery to the nine previous recoveries since World War II, the dotted red line is the average of nine previous recoveries since World War II. The black line is what has happened to revenue in this recovery. We are way, way behind where revenue typically has been in every other recovery since World War II.

Looking at it differently - revenue as a share of GDP. You can see in 2000 we reached a peak of almost 21 percent of GDP, gross domestic product, in revenue. We went down in 2004 to 16.3 percent, the lowest it has been since 1959. And you guys just want to talk about the increase in these last couple of years, but we are way behind where we were in 2000.

Revenues in 2006 are still way below what the projections were back in 2001 when we embarked on this strategy. When we started on this strategy they told us in January 2001 revenue this year would be $2.7 trillion. Well, instead, we're at $2.3 trillion -- probably going to do somewhat better than that, maybe as much as $70 billion more -- but way, way far below the projections of 2001 in what they said would be revenue in 2006.

Here is the former Federal Reserve Chairman (Alan Greenspan). He rejects claims that

tax cuts will pay for themselves: *"It is very rare and very few economists believe that you can cut taxes and you will get the same amount of revenues."*

It's not just him. Now, we have a new Federal Reserve Chairman. Here is what he said. Federal Reserve Chairman (Ben) Bernanke believes tax cuts don't pay for themselves: *"I don't think that, as a general rule, that tax cuts pay for themselves."* That was in April of this year.

Here is the OMB Director, Rob Portman, who believes tax cuts don't pay for themselves: *"As a general matter, most tax cuts do not pay for themselves."*

Here's the former Chairman of President Bush's Council of Economic Advisers (N. Gregory Mankiw) who believes tax cuts do not pay for themselves: *"[There is] no credible evidence that tax revenues ... rise in the face of lower tax rates. [An economist claiming tax cuts pay for themselves is like a] snake oil salesman who is trying to sell a miracle cure."*

Here is the *Washington Post* (columnist Sebastian Mallaby): "The Return of Voodoo Economics" because that's what this is. It is pure voodoo. It is ideology over evidence. And the ideology is you can just cut revenue, cut revenue and you get more money. The problem is it doesn't work. It hasn't worked in the real world by any objective measurement.

On the question of dynamic scoring, here is the former CBO Director, chosen by Republicans, Dan Crippen – here's what he said: *"CBO does not believe that 'dynamic scoring' by it and JCT, incorporating the macroeconomic effects of legislative changes into the process of estimating a bill's cost, would improve the analysis provided to the Congress. There is no objective way that Congressional staff can make assumptions about the actions of current and future Congresses, about public expectations of those actions, or about future monetary policy. Such assumptions would drive results and undermine their credibility. Favorable estimates would be sought for spending programs as well as for tax provisions. The current process may be far from perfect, but it is also far better than one that would require dynamic scoring."*

Mr. Chairman and members of the Committee, I believe that is true. And all of us would love to have an ability to do what the Senator calls for. I would. I would love to see it. Almost any economist would tell you tax cuts or additional spending will spur the economy. That either one of those will spur the economy. The problem is we have no way of knowing at this point as our science is too imprecise to tell us how all these offsetting events effect each other.

So I think it would just be unwise to adopt dynamic scoring.