Transcript of Remarks by Senator Kent Conrad (D-ND)
at Senate Budget Committee Hearing on the State of the Economy and Budget
September 28, 2006

Opening Statement

Well, I have enjoyed this presentation very much. They are facts, but I would say highly selective and they leave out a lot of things. And now for the rest of the story.

First of all, I always enjoy these hearings and I appreciate the Chairman calling this one because this really is an important discussion for us to have.

Let's go back in history and recall what occurred. It was not, in 2001, a case of you were for tax cuts and we were against tax cuts. In fact, my proposal that I put before my colleagues was for $900 billion of tax cuts. The President proposed about twice as much. So the question was, first of all, the size of the tax cuts and what kind of tax cuts should there be. The tax cuts the President advocated were much larger in amount and the President's tax cuts were much more heavily skewed to the wealthiest among us. The tax cuts that we proposed, on our side, were more affordable and certainly, in light of history, that's clearly the case. And they were also geared to the middle class. And I would argue that's where you get the biggest bang for the buck.

Second question is the revenue chart that the Chairman put up talking about revenues, or I don't know if you put up a chart or just talked about revenues going up, but the rest of the story is, here is what's happened to real revenues, inflation adjusted, since 2000. The fact is we're just now getting back to the real revenues that we had in 2000. There hasn't been some giant run-up in revenue, please. The last few years, revenue has gone up but from a very low base. Much lower than the revenue that we had in 2000. So this talk about the dramatic rise in revenues, please, the fact is we are just now getting back to the real revenues that we had seven years ago.

Let's go to the question of deficits. The Chairman talked about big improvements in deficits. Well, yeah, big improvement from the worst deficits we've ever had. You know, two years ago, the deficits were higher than they are now, they were higher than they've ever been. But compared to six years ago, when we had surpluses, these deficits are terrible. And the deficits understate the seriousness of the situation. Just to rivet the point, I mean, the first year of this Administration, where they inherited the fiscal policies of the previous Administration, we had a surplus. Now, with the fiscal policies of this Administration, we have run-up four of the largest deficits in the country's history.

And the deficit substantially understates the red ink. Because, while the deficit is projected to go up by $260 billion this year, the debt is going to increase by $560 billion. When you measure that against GDP, you find that we are over 4 percent of GDP - debt increasing by over 4 percent of GDP.

Let's go to the next chart, just visually here's what's happening to the debt of the country under the policies of our colleagues on the other side and under this Administration. The debt at the end of the President's first year, we don't hold him responsible for the first year, was $5.8 trillion, the end of this year $8.5 trillion, and if we follow the President's plan $11.6 trillion five years from now. That is about a doubling of the debt of the country - and at the worst possible time, right before the baby boomers retire.

Let's go to the next slide, if we could, I asked my staff to go out and look and find out how much borrowing this country is doing in comparison to other countries and here's what we found. In the last year, according to the International Monetary Fund, we borrowed 65 percent of all the money that was borrowed by countries in the world - 65 percent. That is utterly unsustainable. That's what the Comptroller General of the United States is telling us - this is an unsustainable path - and, indeed, it is. The next biggest country, by the way, in terms of borrowing is Spain at 6.8 percent - one tenth of the borrowing that we're doing.

Now, let's go to the next chart, the *Wall Street Journal*, of yesterday, had this warning from the [World] Economic Forum. The economic forum warns that the U.S. has budget deficits that will bring ill effects and it reads: "the U.S.'s huge budget deficit threatens to make the country's economy less competitive, according to the study by the World Economic Forum. The institute's annual study of global competitiveness says the U.S. economy is the sixth most competitive in the world, slipping from first place last year." So, we slipped five places in a year. "...slipping from first place in last year's ranking, a result of mediocre scores for its public financing." They went on to say: "... serial budget deficits in the U.S. have led to rising public debt, which means an increasing portion of government spending goes toward debt service that means less money available for spending on infrastructure, schools, or other investments that could boost productivity. Heavy government borrowing, which means competing for money in financial markets with the private sector also tends to drive up business' borrowing costs."

Let's go to the question of jobs, the jobs chart, if we could. There's a lot of talk about jobs and how the economy is improving. The fact is, 74 percent of people in this country believe that jobs are not plentiful or are hard to get. Only 26 percent believe that jobs are plentiful. That's according to the Conference Board.

Consumer confidence has never recovered under President Bush. In January of 2001, when he took over, consumer confidence was 115.7, again according to the Conference Board. Now in September of this year, it's 104.5 - that is almost a 10 percent decline.

And if we compare job creation under this Administration to the previous Administration, for the first 67 months we see under the Clinton Administration 16.6 million jobs were created. Under this Administration, for that same period, 67 months, 3 million jobs have been created - about one-fifth of the jobs created, actually less than one-fifth of the jobs created under the Clinton Administration in its first 67 months.

What's most interesting, of course there have been jobs created now that we are in an economic recovery - that always happens. What is the real test is how does this recovery compare to previous recoveries. And by that standard what we see is job creation is lagging far behind the average of all of the major recoveries since World War II. We have had nine major recoveries since World War II and the pattern of job creation is the red line, the black line is job creation in this recovery and this recovery is running 6.7 million private sector jobs short of the typical recovery. Something is wrong.

Business investment, again, looking at the typical recovery, the average of the nine previous recoveries since World War II is the dotted red line. This recovery is the black line. On business investment we are running 72 percent behind the typical recovery since World War II. Something is wrong.

Real GDP growth lags behind the typical recovery as well. The average in the nine recoveries since World War II, GDP growth of 3.2 percent - this recovery, 2.8 percent.

Let's go to median household income. Median household income in 2000 was $47,599. This year, $46,326. So real median household income has declined by almost $1,300.

Look, this recovery, the facts, I think, are really clear, is not performing as previous recoveries have - number one. Number two, we are running up debt at an alarming rate. It took 42 presidents 224 years to run up a trillion dollars of debt held by foreigners. U.S. debt held by foreigners. This president has more than doubled that amount in just five years. This is an utterly unsustainable course and the question is, what are we going to do about it?

I'd suggest to my colleagues, neither party can do this job alone. What we really require is a bipartisan, comprehensive plan to get this country back on track. And I know that my colleague, the Chairman, is interested in that approach. I certainly am and I hope that we can get to it.

I thank the Chairman.