

**Transcript of Remarks by Senator Kent Conrad (D-ND)
at Press Conference on CBO's January Budget and Economic Outlook
January 26, 2006**

Opening Statement

Thank you, Congressman Spratt. Thank you for your very excellent presentation -- very clear and compelling. Let me just add briefly to what Congressman Spratt has reviewed with you by saying the ship of state increasingly is going to be known as the debt boat, because this administration is driving us right over the cliff into deeper and deeper debt.

Most of the focus is on the budget deficit. In past years, I think that was understandable. We see this Bush administration's record on deficits. We went from surpluses in the previous administration to growing in massive deficit in this administration.

The thing that really alarms me is the growth of the debt. Remember, while we see a deficit this year in the \$360 billion range when you put in the need to fix the alternative minimum tax and you put in the additional war cost, what is being lost, I believe, in terms of helping the American people understand our fiscal condition, is the debt is growing much more rapidly than the deficit.

I have done a series of meetings across my state and I find people are very confused. They believe that the deficit is the amount by which the debt increases. When I show them that the debt is growing far more rapidly than the deficit increases, they find that very disturbing.

Let me show you, for this next year, while we look at a projected deficit of \$364 billion, we now believe the debt will increase by over \$600 billion. In fact, we now project the debt will increase by \$637 billion for one year alone and that every year for the next five years under the President's proposals, the debt will increase by more than \$600 billion each and every year. And that's before the baby boomers retire. This is at the worst possible time the debt is exploding.

What's the biggest difference between the deficit and the debt? Well, the biggest difference is the \$180 billion that the President is going to be taking from Social Security to pay for other things. And there are other trust funds as well.

As Congressman Spratt did, we took CBO's baseline. As you know, that does not include policy changes the President is recommending. And we look at what the President has said he favors:

- Making the tax cuts permanent. That adds \$2 trillion.
- Alternative Minimum Tax reform. Congressman Spratt referred to that, \$864 billion of costs. Of course the AMT is the old millionaire's tax that is rapidly becoming a middle class tax trap. The cost of fixing that, as we have indicated, \$864 billion.
- The additional defense buildup advocated by the President, almost \$300 billion.
- The funding for ongoing war costs according to the Congressional Budget Office, over

\$380 billion.

- Then, we have made an adjustment to back out the supplementals for 2006 on the assumption that those are one-time costs, that they shouldn't be included as ongoing costs. Of course, CBO is required to include those. We think those should be backed out in fairness.
- We also adjust for the spending reconciliation conference report that we assume will pass. That takes out \$105 billion.
- And then we adjust for the additional interest cost of those changes in policy, and we get an increase in the debt as a result of these budgets of over \$3 trillion.

This administration has already run up another \$3 trillion of debt. Now we see with these budget proposals another \$3 trillion. This will be the President whose legacy is one of deficits and debt.

Just visually, when you put it all together, here's what we see as the long-term deficit outlook with omitted costs added back in. And as you can see, it's an ocean of red ink.

And, again, because I believe, at this juncture, a focus on the increase in the debt is really the more relevant comparison and the more relevant concern. We are building a wall of debt under the President's policies that is truly stunning, from \$8.5 trillion at the end of this year -- and you can see up, up and away it goes -- every year the debt increasing by in the range of \$700 billion.

This at a time that they are telling us things are getting better. They assert things are improving. And yet the debt is exploding. And this debt is going to have to be paid. These are debts taken on by the American people backed by the full faith and credit of our government -- all of this debt exploding before the baby boomers retire.

I believe this administration and this Congress will go down as the most fiscally irresponsible in our country's history. I think the facts are just as clear as they can be. This is a reckless course, and it's a course that must be corrected.

Let me just briefly go to the letter from the secretary of Treasury -- interestingly enough, this came to us on December 29 -- interesting timing, not much attention in the week between Christmas and New Year's, where he says to us, "We've got to expand the debt," that the current debt of \$8.2 trillion will be reached in mid-February. "At that time, unless the debt is raised or the Treasury Department takes authorized extraordinary actions, we will be unable to continue financing government operations."

That's the legacy of this administration -- exploding debt -- and at the worst possible time, before the baby boomers retire.

Just visually, this is what's happened under this administration. By the way, I'd point out, from '98 to 2001 of the previous administration, there were no increases in the debt, none. In 2002, this administration had to increase the debt \$450 billion; in 2003, \$984 billion; in 2004, they had to increase the debt another \$800 billion; and now they're coming to us with a request

for another increase of about \$800 billion. You add it all up, that's \$3 trillion of added debt.

And as I've indicated, that's looking backwards. If you look forward, what you see is another \$3 trillion of debt. That will be under this President's watch an increase in debt of our country of \$6 trillion -- \$6 trillion. And this is before the baby boomers retire.

This is a reckless fiscal course.

As I began, I will conclude: This ship of state is going to be known as the debt boat, because this President and this Congress have been the most fiscally irresponsible in our nation's history.

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Question: I was wondering what your strategy is going into the vote on the budget savings package in the House and if you have any thoughts on any chance that that's going to go down. And also will Democrats be participating this year if there is another savings package to come forward with their own savings plan?

Conrad Answer:

I would just say, you know, if ever there was a case where words have lost their meaning, when they talk about this is a deficit reduction package, it reminds me of George Orwell. There's no deficit reduction here. What are they talking about? When you put both pieces of the package together, they're increasing the deficit. They're increasing the debt. And not just by a little bit. This package, taken alone, increases the deficit, depending on the House or the Senate package, \$30 billion or \$40 billion. But the whole package of the budget that they are passing, is going to increase the debt of this country by over \$600 billion in one year alone. And every year of the five years of the terms of this budget, the debt is going to increase by more than \$600 billion a year. And they're talking about deficit reduction? Please.

Question: Will the Democrats have their own package?

Conrad Answer:

Let me just say this. The Republicans are in charge of the House and the Senate and the White House. Our first obligation is try to stop their package from passing that explodes the debt. Only if we are successful in stopping them can we hope to offer a package that can pass.

Question: Why not offer an alternative from the very beginning of the process? Why not offer a Democratic alternative that brings down the deficit?

Conrad Answer:

Because we are in a position of minority. They hold the majority in both the House and the Senate. They control the White House. The first thing we've got to do is try to stop their package. That's the only way that you would have any possibility of passing an alternative. So the first job is to try to alert the American people of where their fiscal policy is taking us. Their fiscal policy is taking us down the road to exploding debt.

One statistic, and I think it's most dramatic, is what has happened to our foreign indebtedness. It took 42 Presidents 224 years to run up \$1 trillion of external debt -- American debt held abroad. This President has doubled that amount in five years. That is stunning. That is utterly unsustainable, this pileup of debt held abroad. The result is we owe the Japanese over \$700 billion. We owe the Chinese over \$250 billion. We owe the Caribbean Banking Centers over \$100 billion.

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Let me just say, to extend the discussion on options, we have offered, in many cases, full substitutes. In my career, I think I have written more budgets than any other member of Congress as substitutes. Typically, what we find is what I've described. That is, if the other side is in control, your chance to successfully offer a substitute hinges on the majority not being able to pass their budget. Beyond that, we have offered alternative by amendment. That is, we have offered a series of amendments. And Democrats last year, if our amendments would have been adopted, we would have dramatically reduced the deficit.

But I have to say this to you. We have got to have a dramatic change in terms of who controls the levers of power in this town if we are going to get on a different fiscal course. This Congress, this majority in Congress, and this White House seems to be absolutely dedicated to a fiscal policy that runs up the deficit and the debt in a way that is utterly unsustainable and puts this country at risk.

Our national security, our economic security, all are put at risk by this explosion of debt and what we now see is an explosion of American debt held abroad. Every time we hold an auction, we are dependent on the Japanese and the Chinese showing up to finance our debt.

That is not a sign of strength.

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Question: Senator Conrad, do you expect to make another attempt to reinstating double-sided pay-go this year? And what do you think about the prospects for that? And also any ideas about trying to do a budget balanced amendment?

Conrad Answer:

Let me just say that I believe very strongly in the disciplines of pay-go that says if you want to increase spending, you ought to pay for it. If you want to have more tax cuts, you got to pay for them. That's what pay-go is all about. Pay-go, as you know, is a budget discipline that helped us in the '80s and the '90s. I believe it's critically important that it be reinstated. And I

have offered it repeatedly to my colleagues, and we have had a series of very close votes on this question. I will aggressively push pay-go again this year.

I believe interest in it is growing. I have been contacted now by a number of colleagues on both sides of the aisle who say they have become convinced that we've got to have the pay-go discipline reinstated. So I'm hopeful that that can be achieved. Any other questions?

Question: Just a technical question. On the \$637 billion debt increase, there were two pieces outside the deficit. What was the other smaller cost?

Conrad Answer:

Other trust funds, including Medicare Trust Fund, highway trust fund. You know, these guys are raiding every trust fund in sight.